To view the annual report online:

investors.polypipe.com/year-in-review

Polypipe

Annual Report and Accounts
FOR THE YEAR ENDED 31 DECEMBER 2016

Stock Code: PLP

WELCOME TO

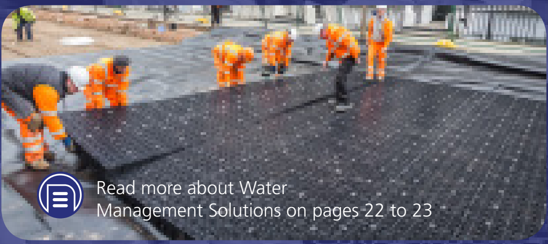
Polypipe

POLYPIPE IS ONE OF EUROPE'S LARGEST MANUFACTURERS OF PIPING SYSTEMS, WATER MANAGEMENT SOLUTIONS AND ENERGY-EFFICIENT VENTILATION SYSTEMS, DELIVERING ENGINEERED SOLUTIONS THAT RESPOND TO A RAPIDLY CHANGING ENVIRONMENT.

Polypipe has an established market position, spanning the residential, commercial, civils and infrastructure, and public non-housing sectors in the UK and selected markets across the globe. Through constant innovation and focused research and development, Polypipe is uniquely positioned to offer solutions that help deal with the pressures placed on urban environments and natural resources.

WHAT WE DO

Polypipe develops engineered solutions for construction projects, including some of the most prestigious buildings and infrastructure schemes, around a core offer of plastic piping systems.


Read more about Water Management Solutions on pages 22 to 23

Placing the management of water and the healthy ventilation of buildings at the heart of its strategy, Polypipe is able to provide solutions to some of the most pressing environmental challenges in these construction projects. Polypipe's focus on the management and movement of water and air has influenced the development of Polypipe's range of systems, enabling the company to offer products and systems that help to contribute to a safer, healthier, and more sustainable built environment and to help respond to the trends of global warming and increased urbanisation.

Polypipe's staff, at all levels, have a clear understanding of the company's mission to lead the way in the development of future-proof plumbing, drainage and ventilation systems that make use of modern sustainable materials and best practices in engineering, manufacturing and construction.

Polypipe

OUR INVESTMENT PROPOSITION

OUR PURPOSE

Polypipe harnesses the knowledge of its expert staff to develop a deep understanding of the market sectors the company serves. In addition to a core offer of drainage, plumbing and heating, Polypipe is able to offer access to one of the largest water management product portfolios, offering solutions to even the most demanding of water management infrastructure projects. Plus, the dedicated teams working within our ventilation businesses work directly with customers, which allows them to focus their efforts for new product development to keep them at the forefront of low-energy and carbon efficient ventilation technology.

Polypipe is able to utilise its investment in significant manufacturing scale, operating state-of-the-art manufacturing and fabrication facilities to provide value-engineered, fit-for-purpose solutions for the most diverse and complex challenges, often in substitution for legacy materials. With a high level of new product development and a solid working knowledge of the legislative requirements within its global markets, Polypipe is equipped to help customers not only meet their everyday product requirements but also solve a range of problems they will face today and tomorrow, reinforcing sales through technical expertise that they can trust.

- Building from a position of market leadership in the UK, where the company is the largest plastic piping systems manufacturer (by sales volume), Polypipe continues to invest in order to maintain and develop its position as a leader in the management and movement of air and water. This investment and scale provides both operational efficiency and considerable economic reach to serve the broadest range of customers.
- With a core offer of plastic piping, supported by complete system performance design, incorporating engineered in-house manufactured fittings and ancillaries, Polypipe is uniquely placed to offer a differentiated total solution to those from other plastic pipe manufacturers. It is able to pursue significant growth opportunities by developing effective solutions to new and emerging legislation, in addition to providing customers with a high performance alternative to pipes manufactured from legacy materials such as clay, copper and concrete in each of the sectors the company serves. In this way, Polypipe's sales consistently grow ahead of the construction market.
- Such is the demand for Polypipe's products and expertise, the company has seen increasing success in export markets. This growth was recently recognised as part of the Queen's Awards for Enterprise, with Polypipe receiving the International Trade award in 2016. The company was praised for its increase in sales across the globe, not least in the Middle East where Polypipe products have been used in some of the region's flagship developments.
- Polypipe's above-market growth and its commitment to investment, leverages an existing operational footprint to generate incremental profitability, which allows Polypipe to deliver a strong and resilient financial performance.

Read more online at **http://investors.polypipe.com**

OUR FINANCIAL HIGHLIGHTS

CONTENTS

REVENUE
↑23.8%

2016	£436.9m
2015	£352.9m

UNDERLYING OPERATING PROFIT
↑28.0%

2016	£69.4m
2015	£54.2m

PROFIT BEFORE TAX
↑31.1%

2016	£54.4m
2015	£41.5m

OPERATING CASHFLOW AFTER CAPEX*
↑21.9%

2016	£67.4m
2015	£55.3m

UNDERLYING DILUTED EPS
↑28.9%

2016	25.0pps
2015	19.4pps

* Before non-underlying items.

OUR OPERATIONAL HIGHLIGHTS

- Excellent UK revenue growth reflecting continued strong demand for our products with no discernible impact of the EU Referendum on our end markets
- Legacy material substitution and legislative tailwinds driving growth ahead of the overall UK construction market
- Nuaire successfully integrated into Group and performing in line with expectations
- Middle East manufacturing plant commissioned and in full operation in the second half of the year
- Significant growth in export revenue, up by 28.7%

NAVIGATING THE REPORT

For further information within this document and relevant page numbers

Additional information online

Visit us online at **www.polypipe.com**

Polypipe

OUR SOLUTIONS

RIDGISTORM-XL POWERS SCOTTISH HYDROELECTRICITY PROJECT

Ridgistorm-XL was selected to provide a **water capture solution** in the picturesque Scottish Highlands.

Industry Authority

Smarter Thinking Better Solutions

Polypipe's Ridgistorm-XL was used to repair the existing pipework at Sloy Reservoir, which was originally installed in 1946.

CASE STUDY LOCH SLOY DAM

Demonstrating the versatility, robustness and light weight nature of Ridgistorm-XL versus traditional materials, Polypipe was requested to produce a suitable water management solution that would provide adequate water capture and could also be delivered and installed safely to a remote location.

To provide stability and mitigate the risk of damage, Polypipe's in-house fabrication team pre-welded Ridgistorm-XL lifting points to the RidgistormTrap Catchpits. This allowed the system to be airlifted safely into position for installation with Ridgistorm-XL pipes.

The system, which feeds electricity into homes across Scotland, comprised two RidgistormTrap Catchpits and five lengths of Ridgistorm-XL large pipe in 750mm diameters to cope with storing excess water from the catchment area. As well as this, the RidgistormTrap Catchpit which stands at 3.5m high and 1500mm in diameter, provides an effective separation of silt and debris from water entering the system.

STRATEGIC REPORT

CHAIRMAN'S INTRODUCTION

OVERVIEW

I am delighted to present the Polypipe 2016 Annual Report and Accounts following a record year for the Group. Despite the economic and political uncertainty in the weeks and months following the EU Referendum in June 2016, our end markets continued to perform well, with the Group growing UK revenue considerably ahead of the UK construction market and delivering significantly improved profits. As well as managing this growth, the Group has also completed a number of key projects in the period, most notably successfully commissioning our new £3.6m manufacturing plant in the Middle East, and completing the integration of our newly acquired Nuaire business into the Polypipe Group. Martin Payne joined the Board as Chief Financial Officer in May 2016, with a seamless transition following Peter Shepherd's retirement. The Group achieved a further notable milestone in the year with promotion to the FTSE 250 index on 29 January 2016.

RESULTS

Performance throughout 2016 has been very strong with a 23.8% increase in revenue or 9.1% on a like for like basis excluding acquisitions and at constant currency. UK like for like revenue growth of 10.5% was significantly ahead of the market and resulted from strong growth in the UK Commercial and Infrastructure sector and improving performance in the UK Residential sector in the second half of the year. This like for like growth together with a full year contribution from our Nuaire acquisition which continues to perform to expectations, resulted in UK revenue growth of 25.3% overall. Underlying operating margins improved further to a record 15.9% and underlying diluted earnings per share increased by 28.9% to 25.0p. Another year of strong cash generation saw the Group beat its net debt target, delivering on our commitment to deleverage after the Nuaire acquisition in August 2015.

DIVIDEND

We have again maintained our dividend policy and I am pleased to recommend a final dividend of 7.0 pence per share making 10.1 pence per share for the year ended 31 December 2016, a 29.5% increase on the prior year.

STRATEGY

During 2016 the key objectives of the Board were:

- Developing our ventilation business while realising synergies in our integration of Nuaire into the Group
- Commencing manufacturing in the Middle East region
- Prioritising selected development and acquisition opportunities, whilst the Group rapidly reduces leverage
- Launch a long-term incentive programme (LTIP) for senior managers to align their interests with those of shareholders

Excellent progress was made against these objectives during 2016.

In addition to our ongoing initiatives, in 2017 our attention will be focussed upon:

- Targeting investment to support the continued growth of our main businesses
- Continued investigation of acquisition opportunities
- Investigation and development of new export markets

PEOPLE

The outstanding effort and commitment of our employees continues to be the primary driver of the Company's success and their hard work has resulted in our record performance during 2016. I have been able to spend time visiting sites and meeting employees at our UK and European production facilities and continue to be impressed by the knowledge and enthusiasm of our people across the Group. Managing those facilities effectively is critical to the success of the Group, and it is clear to me that the strength in depth of our senior management is a key differentiator, with each business unit being managed by enthusiastic, focussed and experienced management teams. Our track record of filling a good balance of our vacancies from within is evidence of our investment into the development of our employees at all levels and this breadth and depth of expertise and experience leave us well placed to support business growth for the longer term.

Peter Shepherd retired at the 2016 AGM having been Group Chief Financial Officer during its prior ownership and transformation into a public company. I would like to record both the Board's and my own personal thanks to Peter for his significant contribution to making Polypipe the successful Group that it is today, and wish him well in his retirement. Martin Payne was appointed Group CFO following Peter's retirement and both I and my Board colleagues have been impressed and encouraged by the significant impact he has made in a relatively short period of time, at the Board table, within the Group businesses, and with advisers and shareholders. His personal qualities and extensive experience in manufacturing and building materials together with his plc experience give me confidence that he can contribute significantly to the continued growth and success of Polypipe in the future.

The Group issued invitations to join a second SAYE scheme during the year which was well received, resulting in 38% of our employees investing in the Company through the scheme. I was particularly pleased to note the excellent take up within Nuaire of 37%, which is a good indicator of the strength of commitment from the employees within this newly acquired company, suggesting to me that there is already a good level of understanding and support of the Group's overall objectives.

SUMMARY

Once again, the Group has made significant progress during 2016 on all fronts. The excellent revenue performance in the year is testament to the strength of the growth drivers on which the Group's strategy is based, namely legacy material substitution, tailwinds from both water management and carbon reduction legislation, and development of selective export markets. With a focus on investment into engineered solutions to meet those needs, a strong and dedicated senior management team, committed workforce, and a clear strategy, I am confident that the Group will continue to thrive during 2017.

Ron Marsh
Chairman

GROUP HISTORY

20 LOCATIONS

Polypipe

- **UK** – 13
- **FRANCE** – 3
- **ITALY** – 1
- **MIDDLE EAST** – 3

TIMELINE

OWNERSHIP CHANGES

1980
FOUNDED AS A MANUFACTURER OF EXTRUDED AND MOULDED PLASTICS

1986
BECOMES FULLY LISTED COMPANY

1999
ACQUIRED BY IMI

2005
MBO BACKED BY CASTLE HARLAN

2007
MBO BACKED BY BOSIF *(NOW CAVENDISH CAPITAL)*

2014 – TODAY
MAIN MARKET LISTING ON LONDON STOCK EXCHANGE

STRATEGIC INITIATIVES

1985 – 2004
ACQUISITIONS AIMED AT BROADENING PRODUCT AND MARKET OFFERING
EXPANSION INTO FRANCE AND ITALY
FORMATION OF POLYPIPE CIVILS AND ULSTER BUSINESSES

2005 – 2007
FOCUS ON CORE MARKET SECTORS AND GEOGRAPHIES THROUGH STREAMLINING OF ACTIVITIES

2008 – 2013
SIGNIFICANT INVESTMENT IN BUSINESS
REBALANCED TO FOCUS ON RESIDENTIAL, INFRASTRUCTURE AND COMMERCIAL SECTORS

2014 – TODAY
INCREASED CAPABILITY TO DELIVER SOLUTIONS FOR CARBON EFFICIENCY AND WATER MANAGEMENT

ACQUISITIONS

2000
ACQUISITION OF ROBIMATIC

2007
ACQUISITION OF TERRAIN COMMERCIAL DRAINAGE BUSINESS

2009
ACQUISITION OF MARSHALL-TUFFLEX RAINWATER AND DRAINAGE BUSINESS

2010
ACQUISITION OF SILAVENT VENTILATION BUSINESS

2014
ACQUISITION OF FERROB VENTILATION BUSINESS

2015
ACQUISITION OF SURESTOP SPECIALIST VALVE BUSINESS
ACQUISITION OF NUAIRE VENTILATION BUSINESS

DIVESTMENTS

2004 – 2006
CLOSURE AND DIVESTMENT OF NON-CORE BUSINESSES INCLUDING WINDOW PROFILE AND FURNITURE

2007
DIVESTMENT OF GERMAN OEM OPERATIONS

2008
DIVESTMENT OF SANITARY SYSTEMS

POLYPIPE AT A GLANCE

RESIDENTIAL SYSTEMS

REVENUE

£207.6m

UNDERLYING OPERATING PROFIT

£39.1m

Areas of application

- Above-ground drainage
- Storm water drainage
- Below-ground drainage systems
- Sewer drain
- Water supply
- Plumbing and heating supply
- Underfloor heating systems
- Ventilation solutions
- Merchandised, pre-packaged components

COMMERCIAL AND INFRASTRUCTURE SYSTEMS — UK

REVENUE

£184.2m

UNDERLYING OPERATING PROFIT

£29.0m

Areas of application

- Above-ground drainage
- Surface water drainage
- Storm water drainage
- Land drainage and irrigation
- Sewer drain
- Ducting and conduit
- Pressure systems
- Air Handling Units
- Ventilation solutions

COMMERCIAL AND INFRASTRUCTURE SYSTEMS — MAINLAND EUROPE

REVENUE

£57.9m

UNDERLYING OPERATING PROFIT

£1.3m

Areas of application

- Electrical ducting and conduit
- Irrigation piping systems
- Pressure systems

Polypipe is firmly established as one of Europe's largest and most innovative manufacturers of plastic piping systems, with over 20,000 product lines and 195 UK and European product approvals.

With our Nuaire business providing energy efficient ventilation systems for the residential, commercial and industrial sectors in the UK, we have a diversity of offering that further strengthens our carbon efficiency status.

By investing in our facilities, our staff and our product development, Polypipe is uniquely placed to help an increasingly broad customer base tackle the many complex questions that climate change and urbanisation pose. This approach sees Polypipe continue to maintain its position as an industry leader within the built environment and construction sectors in the UK and beyond.

- Over 20,000 products (widest range in the UK)
- Logistics capability to deliver to over 10,000 delivery points annually
- Fleet of over 300 trailers and 150 tractor units and rigid vehicles
- 195 UK and European product approvals

20
FACILITIES IN THE UK, FRANCE, ITALY AND THE MIDDLE EAST

3,014
EMPLOYEES IN THE GROUP

489
SALES, TECHNICAL SUPPORT PEOPLE

LEADING POSITIONS IN THE UK ACROSS KEY SEGMENTS

BUILDING AND INSTALLATION

NO.1

Polypipe underfloor heating and new range of controls

CIVILS AND INFRASTRUCTURE

NO.1

Permavoid installed at Kensington Park Terrace, London

Polypipe's storm water management solutions installed at ITV's Coronation Street project, Manchester

CHIEF EXECUTIVE'S REVIEW

"Following on from a record performance in 2016 I am confident that our strategic development initiatives will continue to deliver growth ahead of the market."

Our record performance during 2016 and continuing growth underscores the strength of the Polypipe business model and the robust fundamentals underlying the majority of our market segments. In a period of heightened political and market uncertainties, Polypipe continued to focus on its priorities and delivered results toward the top end of our expectations. The drivers of our main UK market remain positive and I am confident that our strategic development initiatives will continue to deliver growth ahead of the market.

Following the acquisition of Nuaire last year, using cash and our debt facilities, our immediate focus has been to integrate the acquisition and to reduce our level of debt. I am extremely pleased to report that Nuaire has been successfully integrated and continued to perform well under our ownership, maintaining its previous growth trajectory as well as developing the sales synergies that we had envisaged. The highly cash generative nature of our business has enabled us to reduce net debt to 1.9 times EBITDA at the end of the year compared to 2.5 times at the end of 2015, delivering on our stated aim to reduce towards 2.0 times. We expect this downwards trend to continue but at the same time we have sufficient financial headroom to continue to develop our investment opportunities and will continue to seek compelling "bolt on" acquisition opportunities.

Our customers rely on our ability to deliver the vast majority of their orders within a very short lead time and carrying the right level of inventory across such a broad product range is a key capability of the Group. Our ability to respond and flex rapidly with demand, allowed us to not take any precipitative action with regard to capacity in the immediate period of uncertainty following the EU Referendum result. Whilst market forecasts were unsettled by the outcome, the majority of our UK market sectors were largely unaffected with our order intake showing no discernible impact. Political will, especially following the changes in Government leadership, to improve the housing shortage and national infrastructure is evident and has helped maintain and bolster confidence in the construction sector overall. Whilst we took a measured response to slow capital expenditure relating to capacity expansion, in the immediate aftermath of the EU Referendum, as our confidence returned we recommenced those projects, which has the effect of having pushed forward around £3m of expenditure originally planned for 2016 into 2017. Despite this rescheduling, we still invested £19.1m during the year, some £2.8m ahead of depreciation.

The sharp downward movement in exchange rates coupled with increases in crude oil prices, resulted in a steady increase in virgin polymer prices over the second half of the year. This was a significant reversal of trends seen in the first half and had an increasing impact on margins during the final quarter. In general, our products represent a small part of overall project costs and because of the historical volatility in commodity polymer prices, customers recognise the need for us to pass through both price increases and decreases in our selling prices. Although there is an inevitable lag in achieving full pass through, and we do all that we can to ameliorate price increases, Polypipe is well experienced and has a good history of recovering input cost inflation, even in difficult market conditions.

GROUP REVENUE

£436.9m
↑23.8%

UNDERLYING OPERATING PROFIT

£69.4m
↑28.0%

In the UK residential sector our core products and systems targeted at the new build market showed strong growth with further ongoing substitution of alternative traditional materials and our comprehensive range of carbon efficient solutions. We continued to enjoy success with our underfloor heating offer with a well-received launch of a new range of aesthetic and intuitive TFT touch-screen smart controls. In residential ventilation, our Silavent range benefited from further leverage of Nuaire's routes to market, whilst Nuaire themselves have continued to innovate with the launch of the energy efficient Drimaster-Eco range of positive input ventilation for both new build and retrofit residential applications.

In Commercial and Infrastructure Systems - UK, Government and legislative focus on flood alleviation continued to drive strong sales growth for our comprehensive range of engineered water management solutions. In addition to providing an increasing number of SUDS (sustainable urban drainage solutions) to developers for a variety of different contracts, we were specified for a number of significant projects helping to design some innovative prefabricated solutions, minimizing site work and time, enhancing quality and health and safety. In one London development project alone, we installed a shallow Permavoid system, designed to handle a one-in-one-hundred-year storm event and capable of handling 1.5 million litres of storm water. Further north, our 1.5m diameter Ridgistorm-XL catchpits were pre-fabricated off-site and helicoptered into position as part of SSE's repair programme on the Loch Sloy Hydraulic Power Station in the Highlands.

We have continued to invest and maintained our focus on our rate of development in new products and enhancement of existing ranges. During the period many new products were introduced across our businesses, including a new easy-to-install push-fit stainless steel manifold for our underfloor heating range, a range of cast-iron effect PVC rainwater hoppers, a squeezable cavity closure which requires no cutting on site, HDPE 4-way boss pipes and low-level manifolds, a range of guardrail and chain assembly accessories for Ridgistorm-XL installations, Permavoid capillary cone cells, and an upright Boxer packaged solution air handling unit from Nuaire, incorporating high efficiency heat recovery and the latest generation of ecosmart controls. Progressive introduction of new products enables the Group to win an increasing number of high profile project specifications and secure further penetration into the sectors of the construction industry that offer opportunities for us to add value.

Our most significant operational development project during 2016 was the setting up of a manufacturing facility in the Middle East. After careful consideration of several options with regard to location we chose the Jebel Ali Free Zone in Dubai. Being in the Free Zone enables us to have 100% ownership of the operation which we believe gives us flexibility and has also been one of the reasons we have been able to move with such pace. Presently, we have set up one manufacturing cell for our geocellular storm water attenuation products which are the most space hungry items we export to the region. All of our other products and ancillaries continue to be manufactured in the UK and exported as previously. The building is on a relatively short lease, whilst we evaluate the potential opportunity, and the production cell mirrors those in the UK. This means we have in-depth knowledge and experience of operating the equipment but also minimises risk should we decide at a future date to repatriate the equipment to one of our UK facilities. After a very fast set up, we started to manufacture samples for test in July and fulfilled sales of £3.8m from the facility during the year. This is an excellent start, however we will continue to move forward cautiously as we refine our knowledge and skills of operating in the region, to ensure we can as closely as possible match supply and demand in an arena where the average project is considerably larger than those we are used to supplying in the UK.

The Group continued to invest in its capability to reprocess consumer waste into durable, long lifecycle, high performance systems. Approximately one third of our UK production utilises reprocessed polymer, making a considerable contribution to the circular economy with Polypipe one of the largest recyclers of household plastic waste in the UK. Our latest investment is in state-of-the-art multilayer technology for sewerage pipe within our Building Products business, which will come on stream in early 2017. Whilst there are some benefits to lower and more stable input costs, these are largely offset by the investment needed and higher processing costs. Nonetheless, we are committed to continue to increase our use of recycled polymer and believe our customers regard it as an important factor in their environmentally responsible sourcing strategies.

We were honoured to receive the Queen's Award for Enterprise: International Trade, which was announced on 21 April 2016, to coincide with the 90th birthday of Queen Elizabeth II. The Group was recognised for delivering significant growth in export activity, not least to the Middle East, where Polypipe recently solidified our presence in the region with the opening of our first overseas Technical Training Centre in October 2015.

CHIEF EXECUTIVE'S REVIEW

The following tables set out Group revenue and underlying operating profit by operating segment:

REVENUE	2016 £m	2015 £m	Change %	LFL Change* %
Residential Systems	**207.6**	182.6	13.7	6.6
Commercial and Infrastructure Systems – UK	**184.2**	131.5	40.1	16.1
Inter-segment sales	**(11.0)**	(10.2)		
UK Operations	**380.8**	303.9	25.3	10.5
Commercial and Infrastructure Systems – Mainland Europe	**57.9**	50.4	14.9	2.4
Inter-segment sales	**(1.8)**	(1.4)		
Group revenue	**436.9**	352.9	23.8	9.1

UNDERLYING OPERATING PROFIT	2016 £m	2015 £m	Change %
Residential Systems	**39.1**	32.8	19.2
Commercial and Infrastructure Systems – UK	**29.0**	20.1	44.3
UK Operations	**68.1**	52.9	28.7
Commercial and Infrastructure Systems – Mainland Europe	**1.3**	1.3	n/a
Group underlying operating profit	**69.4**	54.2	28.0

* Like for like (LFL) measures exclude acquisitions, where relevant, and are at constant currency translation.

RESIDENTIAL SYSTEMS

Revenue from the residential systems segment was £207.6m all of which was in the UK and Ireland and represented 46% of overall Group revenue in 2016.

Growth in activity in private residential new build has continued to be driven by the national housebuilders, whilst smaller builders still appear to be constrained or reluctant to commit capital investment to enable higher volume growth. The much reported trend of the slowing rate of growth in the London market is evident with faster growth in the regions and in particular some of the larger regional cities. Public sector housing starts fell again during the year being impacted by budgetary concerns arising from Government funding and obligations.

Private Renovation, Maintenance and Improvement (RMI) activity has grown at a slower pace than market conditions would suggest. Although the second hand housing market, which is historically a driver of RMI, has remained very sluggish, the rise in real incomes and strong mortgage availability coupled with a slow housing market would have been expected to have driven more improvement activity by those who cannot move. There were no significant changes to Government funding to help alleviate the squeeze on public housing RMI budgets resulting from the impact of policies such as Right to Buy and the obligation to reduce rents. The combination of these factors led to overall housing RMI output to decline marginally during the year.

Residential systems delivered an underlying operating profit of £39.1m, an increase of 19.2% over the prior year.

COMMERCIAL AND INFRASTRUCTURE SYSTEMS – UK

Revenue from our UK commercial and infrastructure systems segment was £184.2m and represented 41% of overall Group revenue in 2016.

Although there is some uncertainty over the timing of the Governments £15.2 billion Road Investment Strategy a number of significant road projects were commenced and our products are installed towards the front end of those works. As a result, 2016 was a strong year for demand from this sector and the additional schemes which have been tendered and are starting to be initiated for 2017, are encouraging.

Although private commercial project awards faltered during the middle of the year, picking up again towards the end, the long gestation period of these kind of projects meant site activity remained good throughout the period. Infrastructure related to residential development also performed well and combined with the increase in the construction of high rise multi occupancy buildings in London, and more recently in other major cities, provided a good level of demand for our commercial systems, including the Nuaire ranges.

Export revenue is predominantly from our commercial and infrastructure systems product portfolio and is primarily targeted at the Gulf states, although we also won some notable projects in other British Standard regions of the world. We report sales from our new Middle East facility in this segment as the products are combined with pipes, fittings and ancillaries which are exported from the UK. Including locally manufactured products, export revenue grew by 28.7% over 2015.

Commercial and Infrastructure Systems – UK delivered an underlying profit of £29.0m, an increase of 44.3% over the prior year.

COMMERCIAL AND INFRASTRUCTURE SYSTEMS – MAINLAND EUROPE

Revenue from our Mainland Europe segment was £57.9m and represented 13% of overall Group revenue in 2016. When translated into Sterling this is an increase of 14.9% on prior year, compared to an increase of 2.4% in local currency.

Although traditionally the French market improves as construction and municipal spending is accelerated towards an election period, we saw little evidence of improvement during the year. During the first half we ran some distributor incentives to encourage them to build stock, however given the market picked up less than had been hoped, this had the effect of pulling forward some sales into the first half of the year to the detriment of our sales in the second half of the year, resulting in only a small incremental volume growth overall. Nonetheless, our management initiatives are delivering a gradual improvement, maintaining profitability despite the lag in passing through the adverse impact of higher raw material costs in this segment, where materials represent a higher proportion of input costs.

Underlying operating profit was flat at £1.3m, a slight decrease in local currency.

OUTLOOK

The new year has started well, with the underlying momentum in our main UK market carrying through from a strong final quarter, boosted by some pre-price increase orders from our stockists. Market forecasts coupled with statements made by contractors and housebuilders regarding their anticipated activity levels, suggest that the overall UK construction market will continue to grow. We intend to maintain our focus and investment on those development opportunities which enable us to add value to our customer proposition and deliver growth ahead of the market. Whilst the level of uncertainty appears to have eased since the immediate reaction to the outcome of the EU Referendum, we remain alert to market risks and are confident in our ability to adapt to any changes in market conditions quickly and from a position of strength.

Passing on the impact of input inflation on our base polymers and other costs is one of our most immediate priorities. Whilst doing everything we can to alleviate the need for selling price increases, we are confident that our customers expect us to pass on essential increases. We expect to see the impact of these price increases coming through as we move into the second quarter, delivering our planned margin over the year as a whole, albeit resulting in a different profile through the year when compared to 2016.

The combination of forecast market growth, our focus on executing our strategic development initiatives and resolve to recover input cost inflation mean that we look forward to 2017 being a further year of progression for the Group.

David Hall
Chief Executive Officer

Polypipe

OUR BUSINESS MODEL
Creating the Competitive Advantage

The strength and long-term value of our business model is in placing our customers, their markets and the environment at the heart of everything that we do.

Polypipe understands its customers' businesses and the challenges they face, making us well placed to help deliver solutions that meet key market drivers. As well as ensuring availability of the broadest product portfolio that carry an extensive list of product approvals, allowing its systems to be widely specified, Polypipe has a team of time-served experts that train, interact with and influence the numerous customer groups in all of our markets sectors. From specifiers and engineers, to the merchants, to the installers and plumbers, Polypipe's customers have come to expect quality, support, trust, competency and capability, which are values that are consistently maintained throughout the company's operations.

In combining all of the above, Polypipe continues to maintain the market-leading position for creating plastic pipe technology and sustainable products that are intelligently engineered.

With storm events and water shortages occurring more frequently due to environmental change, Polypipe is well placed to help its customers ensure their developments are resilient. The company can act as a key partner in providing modern building practices in regards to managing water as a scarce resource, empowering town planners and regional authorities to create drainage systems that support modern city living. As the trend of urbanisation continues on a global scale, Polypipe maintains its position as an authority on water management in these environments, helping an expanding population deal with flood events and enjoy healthy, green space in and around the built environment.

Polypipe's ventilation solutions boosted by the acquisition of Nuaire, help to provide comfortable environments for occupants of buildings, by for example regulating temperature, humidity, odours and contaminants in the air. With average air temperatures projected to rise significantly over the coming decades due to climate change, and the 'urban heat island effect' likely to exacerbate the intensity of heat waves in cities, the convergence of low energy heating and ventilation solutions that maintain comfortable internal temperatures and help avoid overheating all year round, become increasingly important. Furthermore, Polyipipe's Permavoid system used on podium decks or at roof level, provides a solution for water capture ('rainwater harvesting') and allows for a planted 'green roof' that not only acts as an insulation barrier, but the combination of plant processes (photosynthesis and evapotranspiration) and soil processes (evapotransmission) reduce the amount of solar energy absorbed by the roof membrane, leading to cooler temperatures beneath the surface, further reducing the energy required for cooling.

CASE STUDY ELEPHANT & CASTLE

Working with international property and infrastructure group, Lendlease, on its Elephant & Castle scheme, Polypipe has provided a wide range of drainage and heating solutions throughout the scheme, which has been recognised as one of the most sustainable urban regeneration projects in the world.

Polypipe solutions were specified from across the Group including:

- Acoustic Underfloor Heating,
- Domus thermal ducting for ventilation,
- Permavoid geocellular solution for podium decks,
- Polystorm attenuation tanks, and
- FUZE HDPE soil and waste stacks fabricated off-site to facilitate installation.

DEMONSTRATING:

THOUGHT LEADERSHIP
ENGINEERING DESIGN
UNIQUE DIFFERENTIATION OF POLYPIPE
KEY ELEMENTS OF THE STRATEGY

CASE STUDY LIVERPOOL HOSPITAL

The Royal Liverpool University Hospital called upon Polypipe to provide secondary stack ventilation, using Polypipe Terrain PVC. Polypipe Terrain FUZE HDPE was also selected as a modern alternative to the cast iron drainage system to ensure no leaks in sensitive areas such as above theatres, scanners and the A&E department.

Polypipe Terrain PVC dilution traps were used throughout the Science and Research building to dilute chemical waste water before it was reintroduced into the waste water drainage.

OUR MARKETPLACE

The UK construction market represents a significant proportion of Polypipe's market, where the brand is well known and respected for its heritage, innovation and expertise.

OUTPUT TRENDS

Construction industry activity held up in the second half of 2016, with the majority of our UK market sectors showing little, if any, effect following the EU Referendum result. In construction sectors dominated by large projects with long lead times, activity has been sustained by work already started and a strong pipeline of future project commitments. Strong UK economic fundamentals together with Government backed incentives have continued to drive sectors which comprise mainly smaller projects, without such lead times. Looking ahead, there are some uncertainties, such as the implications of inflation on consumer confidence and general UK economic growth, and the availability of skilled construction labour that may impact the rate of construction growth in the second half of 2017 and 2018 in particular. There is considerable political support to address the housing shortage and invest in national infrastructure schemes as well as education and health facilities. Although uncertainty post-referendum has not adversely impacted activity on site yet it does appear to have led to a fall in new contract awards for commercial offices and industrial factories, which are more exposed to international investment decisions. Whilst there is a considerable degree of variation in the outlook for the various sectors, the combination of these factors results in market forecasts expecting overall construction output to rise by in the low single-digit percentages between 2016 and 2019, driven by growth in the largest construction sectors.

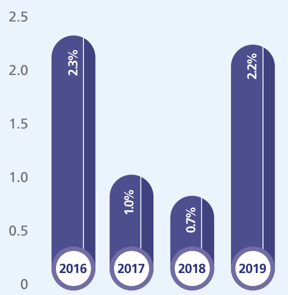
RESIDENTIAL

Increases in private house building over recent years were driven by growth in the wider UK economy in addition to Government policies, including the Help to Buy equity loan scheme, that were targeted specifically at the new build housing segment. Since October 2016, the Government has announced further policies to support house building. Private housing starts in Great Britain were 5.0% higher in 2016 than the prior year and are forecast to rise by 2.0% again in 2017 to 148,036, with major housebuilders continuing to signal their intention to increase units built over the next 12-18 months. The additional stamp duty for second homes and buy-to-lets that was introduced in April 2016 led to a surge in property transactions in March, followed by a consequent fall in transactions during the following quarter, and then a return to stability in the second half of 2016, which meant that property transactions for the year rose by only 0.4% to 1.23 million. Despite this distortion, house price inflation held up and UK house prices in December were still 4.5% higher than the prior year according to Nationwide. House price growth is expected to continue, supported by the continuation of Help to Buy products that are expected to sustain demand.

The private housing repair, maintenance and improvement (RM&I) sector was worth an estimated £17.4 billion in 2016, an increase of 2.0% compared to 2015. Growth in activity slowed in the second half of 2016 in line with expectations of lower property transactions and constraints on real income growth. Private housing RM&I activity is forecast to remain flat in 2017 and decline 2.0% in 2018.

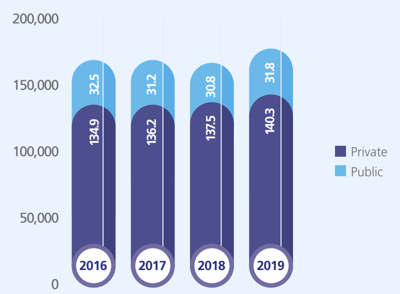
The forecast for public housing output is improving. Out of the £4.7 billion grant funding set aside for the Shared Ownership and Affordable Homes Programme 2016-21, the Government announced in January that an initial £1.3 billion in grants had been allocated. Grants were awarded to 157 registered providers to build 39,403 units. A further £1.3 billion of funding and an undetermined share of the £1.4 billion announced in the Autumn Statement were also released for bids on an

Construction Output
% growth – 2013 constant prices
(Polypipe addressable*)



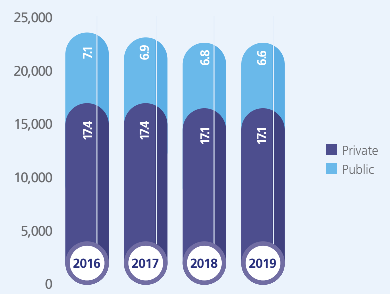
Source: ONS, Construction Products Association (Winter Forecast 2016 - 2017, Central Scenario)

Housing Completions in Great Britain



Source: DCLG, Construction Products Association

Private and Public Housing RM&I Construction Output –
£m – 2013 constant prices



Source: DCLG, Construction Products Association

*Adjusted to remove the ONS reclassification in Roads, and non-addressable construction in Electricity.

ongoing basis. For the whole of 2016, starts in Great Britain are estimated to have declined 15.0%. These funding allocations underpin the industry forecast of a 5.0% increase in public housing starts in 2017, followed by a 10.0% rise in both 2018 and 2019.

CIVILS AND INFRASTRUCTURE

The Infrastructure sector has been a key driver of overall construction activity. Output is expected to increase by 7.0% in 2017, 10.7% in 2018 and 12.6% in 2019. Growth in the sector is due to rising capital investment and major projects in the pipeline and specifically on high-profile projects in the water and sewerage and electricity sub-sectors that are unlikely to be hindered by referendum-related uncertainty. In December, the Government published a new National Infrastructure and Construction Delivery Pipeline, setting out over £500 billion worth of planned private and public investment over this Parliament, with over £300 billion worth of projects from 2016/17 to 2020/21. Roads construction output is expected to remain flat in 2017, reflecting major completions as well as the fall in new orders between 2015 Q3 and 2016 Q2, which is expected to filter through into activity. Going forward, a return to growth is anticipated, with an increase of 5.0% forecast for both 2018 and 2019, aided by work under the £15.2 billion Road Investment Strategy (RIS) and according to the Office of Rail and Road (ORR), capital expenditure is set to increase each year between 2017/18 and 2019/20. Furthermore, road improvement contracts under the new £7.0 billion Collaborative Delivery Framework (CDF) are expected to be launched in Spring 2017, which will further support activity.

COMMERCIAL

Commercial sector output grew by an estimated 5.4% in 2016. Whilst output growth was strong, investment in contracts last year fell away for both the key subsectors of offices and retail, particularly in London. Output is expected to fall 0.8% in 2017 before sharper falls of 3.6% and 2.0% in 2018 and 2019 respectively. The uncertainty post-referendum has had an adverse impact on new contract awards in the offices sub-sector during the second half of 2016. International investors held off signing new contracts due to uncertainty regarding the medium-term demand for new high profile office floor space, particularly within the finance sector. Construction output in the retail sub-sector has been declining for the past two years and recent trends suggest that this is likely to continue, especially in the light of the impact of depreciation in Sterling on consumer spending. Recent falls in activity have primarily been due to major supermarket chains pulling back on their previous expansion plans.

OVERSEAS MARKETS

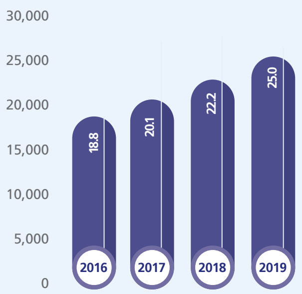
The outlook for construction output in France is forecast to return to growth for all sectors. Housing in particular will benefit from Government incentives and Help to Buy schemes (such as the PINEL incentive and PTZ (Prêt à taux zéro) zero rate loans), leading to forecast growth of 4.6% in 2017, 3.5% in 2018, and 2.9% in 2019. Similarly, infrastructure construction is expected to continue its growth for the coming years, supported by the recovery in the road sector and the new projects for the high speed rail and public transportation projects. This forecast is underpinned by the EU plan which is forecast to invest €57.9 billion to 2018 for infrastructure projects in Europe.

In the Middle East, since the agreement reached by OPEC in December 2016, market projections now point to sustained recovery of average oil price towards c.US$50 a barrel by the end of this decade, which provides a more positive economic backdrop for investment decisions to be made on the large pipeline of infrastructure projects across the GCC region.

BALANCED SALES SPLIT

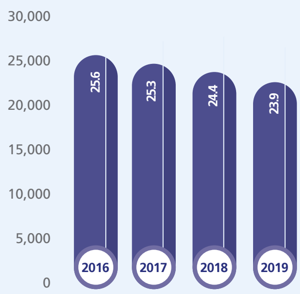
Polypipe has a balanced mix of business that covers the Residential, Commercial and Infrastructure construction sectors; and within each of these, the activities of New Build and Repair, Maintenance and Improvement (RM&I) sub-sectors. This broad exposure across the construction sectors provides a counter-cyclical balance to the more volatile peaks and troughs of the new-build cycle, and provides even further opportunity for Polypipe to provide effective solutions to new and emerging legislation, substitute legacy building materials, and therefore to deliver above-market growth.

Infrastructure output –
£m – 2013 constant prices



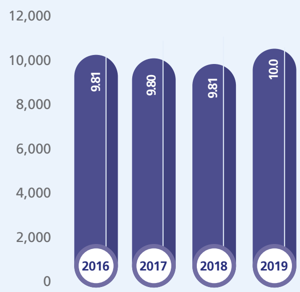
Source: ONS, Construction Products Association (Winter Forecast 2016 - 2017, Central Scenario)

Commercial output –
£m – 2013 constant prices



Source: ONS, Construction Products Assocation (Winter Forecast 2016 - 2017, Central Scenario)

Public Non-housing output –
£m – 2013 constant prices



Source: ONS, Construction Products Association (Winter Forecast 2016 - 2017, Central Scenario)

OUR STRATEGY

A combination of emerging factors such as climate change, increasing urbanisation, skills shortages on-site, and changes in legislation is leading the construction sector to seek innovations and modern methods to tackle these challenges, whilst ensuring safe on-site working methods, reduced time to install and reduced total cost of ownership. Polypipe's position as a market leader with strong heritage, broad product and service portfolio, advanced research and development capability and growing international presence, makes it ideally placed to help its customers tackle many of these challenges.

While Polypipe is well known and respected as a manufacturer of plastic pipe products particularly for plumbing, drainage and water management solutions, the company's recent acquisition of Nuaire greatly increases its ability to offer broader engineered solutions to customers who also face the challenge of carbon efficiency associated with heating, ventilation and cooling. The innate product benefits of plastic offer the company the opportunity to make gains against manufacturers of 'legacy material' solutions in many of the markets it already leads – offering further growth where the brand is already well established. As awareness continues to heighten around environmental factors, and increased legislation is applied in a variety of sectors, Polypipe is well placed to continue to grow in the UK, Europe and the Middle East.

OUR STRATEGIC OBJECTIVES

1 LEVERAGING BRAND STRENGTH IN A MARKET WITH ROBUST LONG-TERM FUNDAMENTALS

Industry-leading margins, strong financial performance and key strategic objectives all align to allow Polypipe to capitalise on growth in the UK and selected international construction markets. A commitment from UK Government to continue to invest in infrastructure (particularly in key rail and highways projects) combined with increasing urgency to create new housing stock means that many of Polypipe's key sectors are underpinned by a pressing and recognised need.

Polypipe's range of products, and the approvals for use that they hold, allows the company to operate successfully in the market, with many of its ranges outperforming their nearest competitor by some margin. The company is ideally placed to leverage brand position in the UK to generate further "pull-through" sales volumes for our stockists with the confidence from contractors and specifiers.

2 CONTINUED PRODUCT DEVELOPMENT FOR SUSTAINABLE CONSTRUCTION AND SUBSTITUTION OF LEGACY MATERIALS

With carbon reduction and water management very much on society's radar, Polypipe is continuing its long-term investment into Water Management and Carbon Efficient solutions. The company provides systems that meet increasingly complex legislative requirements, allowing them to be widely specified in a variety of projects.

In many instances, being specified means that Polypipe's products not only need to outperform other plastic systems, but need to compete with traditional materials used for pipe, such as concrete, clay and copper. The many benefits of using plastic systems combined with Polypipe's strong brand and technical expertise, offers huge growth potential for the business.

3

CONTINUOUS INVESTMENT IN PROCESSES AND EFFICIENCY INITIATIVES

A key component of Polypipe's success has been its efficiency initiatives, with the company committed to reducing its environmental impact in producing its systems. This, in turn, has led to reductions in waste – both material and financial.

While this improvement has manifested itself in a number of ways, one of the key ways that Polypipe has been able to streamline its processes is by increasingly selling complete engineered systems to customers. Rather than simply selling pipe, Polypipe has made best use of its manufacturing facilities and expertise to manufacture in-house a complete range of complementary fittings and ancillaries, enabling design of bespoke systems for customers. This approach ensures that customers get systems that meet their needs exactly, and means that no system is ever over engineered.

4

SELECTIVE DEVELOPMENT IN FRANCE AND THE MIDDLE EAST

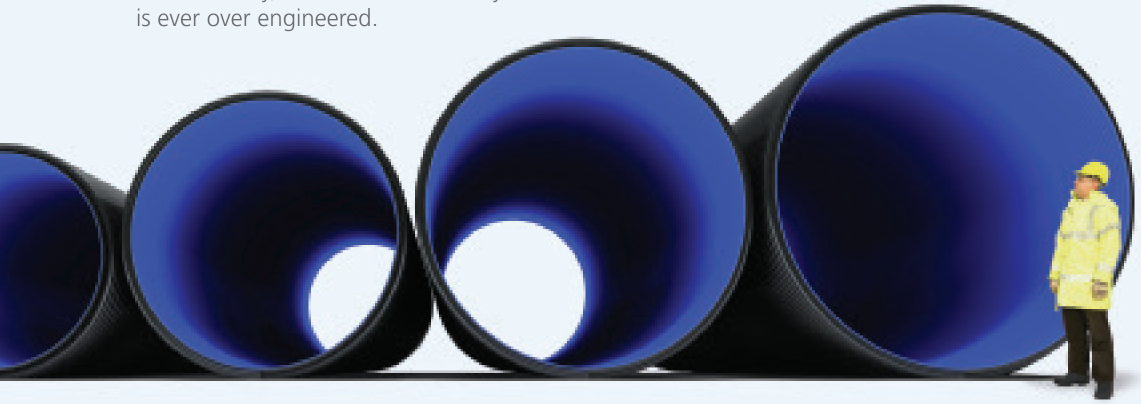
With Polypipe's UK standard-based products, and the esteem that UK manufacturing is held in within a number of growing markets around the world, the company seeks to expand in selected further markets. After investments into manufacturing facilities in the Middle East, and the appointment of key personnel in Europe, Polypipe is well placed to serve customers in these regions with high quality systems that answer many of the challenges faced in these regions when managing water movement and air quality.

5

COMPLEMENTARY ACQUISITIONS

Continuous innovation in products that serve Polypipe's established markets does not prevent the company from investing heavily in new acquisitions. Purchasing market leading companies like Nuaire has seen Polypipe do far more than broaden its manufacturing base, with the company also diversifying its offer and giving the brand increased scope to sell an increasingly broad range of systems to its customers resulting from the growing convergence of requirements of separate systems.

Supplementing the Group's existing product portfolio, these acquisitions help to accelerate the Group's strategic priorities, capability and product ranges' offerings – particularly in the areas of material substitution and Carbon Efficiency and Water Management solutions.



See our Key Performance Indicators on page **18**

KEY PERFORMANCE INDICATORS

As a Board we continually review our performance measures that are critical to the measurement and delivery of our strategic objectives and delivery of sustainable shareholder returns.

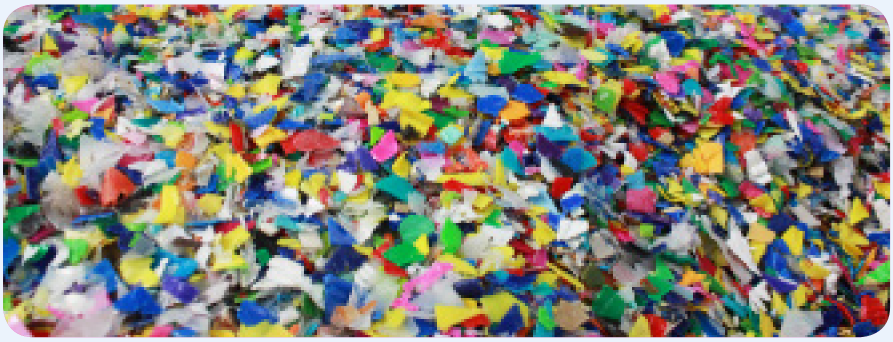
We have defined our Key Performance Indicators (KPIs) to measure alignment between our operating activity and strategic goals.

KPI	PERFORMANCE	COMMENTARY	LINK TO STRATEGY
Financial KPI			
SALES GROWTH The annual percentage growth in both Group and UK (by origin) revenue.	Group – % 2016: 23.8 2015: 7.9 2014: 8.7 UK – % 2016: 25.3 2015: 10.6 2014: 12.4	The Group's UK market leadership and international development, coupled with its strategy of legacy material substitution and NPD allow sales to grow ahead of the overall construction market.	1 2 4 5
UNDERLYING OPERATING MARGIN Underlying operating margin is the underlying operating profit as a percentage of revenue.	% 2016: 15.9 2015: 15.4 2014: 14.2	Topline growth leverages the Group's installed manufacturing and logistics facilities to sustain higher drop-through profits.	1 2 3 5
CASH CONVERSION Operating cashflow excluding non-underlying items less capital expenditure to underlying operating profit.	% 2016: 97.1 2015: 102.0 2014: 103.7	Optimised working capital management combined with sustained operational profitability allow the Group to be cash generative.	1 3
RETURN ON CAPITAL EMPLOYED Return on capital employed is the ratio of underlying operating profit, adjusted for the full year benefit from acquisitions during the year, where relevant, to net assets excluding net borrowings and taxation.	% 2016: 14.7 2015: 13.3 2014: 14.5	The Group continues to invest in its asset base to fulfil growth ambitions; yet sustained operational profitability maintains double-digit ROCE.	1 3
UNDERLYING EPS per share is diluted earnings per share adjusted for non-underlying items.	pps 2016: 25.0 2015: 19.4 2014: 16.1	Cash from operations can be reinvested in the business and distributed as earnings.	1 2 3 4 5
Non-Financial KPI			
ACCIDENT FREQUENCY Accident frequency rate is defined as the number of HSE reportable accidents and dangerous occurrences based on the current seven-day absence from work reporting requirement in the UK and although there is no direct equivalent in Mainland Europe and the Middle East the same definition is applied.	Frequency per 100,000 hours worked 2016: 0.70 2015: 0.70 2014: 0.64	Our overarching objective is to achieve zero accidents every year. As the Group grows, efforts continue on continuous improvement initiatives towards achieving a Group-wide, shared safety culture.	
GREENHOUSE GAS EMISSIONS The Intensity Ratio is defined as the total tonnes of scope 1, 2 and 3 CO_2e produced per total tonnes of production.	Intensity Ratio 2016: 0.39 2015: 0.43 2014: 0.53	Operating in an environmentally sustainable manner is central to Group strategy. Consequently, these considerations are key in our investment decisions for our production processes.	3

For more information about our strategy on pages **16 and 17**

OUR SUSTAINABLE JOURNEY

At Polypipe, sustainability means starting with the very material that the company has become synonymous with: plastic. Working with this recyclable material, the company has placed sustainability at the heart of its offering, helping customers to safely manage some of the planet's most precious resources – water and air.



One of the major benefits of plastic is its ability to be recycled at the end of its product life, which allows Polypipe to create truly sustainable products and solutions. Along with ensuring that it only sources virgin plastics and polymers from reputable suppliers, Polypipe has invested heavily in its own recycling ability. Recent years have seen the company install and optimise its own recycling and polymer processing plant at its Horncastle site, allowing the company to create products from recycled plastics, reducing transport and the number of processing steps to convert recyclate into a high performing product, ensuring quality control throughout.

Not only is the material recyclable at the end of its product life, which can be as long as 100 years, the benefits of plastic make it a much more considerate choice for the environment versus alternative materials. Concrete, clay, copper, steel and ductile iron pipe systems all require significantly more haulage and specialist lifting equipment than the comparatively much lighter weight of plastics which means that the use of Polypipe systems greatly reduces carbon emissions in delivery and installation.

During the manufacturing process, Polypipe works hard to limit environmental impact. Taking an engineered approach to manufacture ensures that Polypipe customers are able to receive systems that meet their needs exactly, minimising waste. All Polypipe staff recognise the importance of design through to manufacturing and installation and the impact that these processes have on the environments in which they are manufactured and used, continuously searching for the optimum methods of reducing their environmental impact.

Polypipe believes that to fulfil its responsibilities to the wider industry it should actively participate in relevant trade bodies such as the British Plastics Federation, encouraging best practice and a uniform approach to sustainability across the industry.

All of this starts with an understanding of the built environment. While global warming may mean increasing temperatures, it also means increased rainfall events that have the potential to be erratic. Flooding, which has become more frequent in the UK in recent years, can cause mass disruption in the areas it affects, causing damage to homes, commercial premises and vital infrastructure.

With increasing rates of population growth in urban areas, the potential for flood events to cause mass disruption is greater than at any point for the past century. As such, Government bodies, developers and engineers are becoming increasingly aware of the importance of management of water to ensure their city is resilient to such events. Polypipe's ability to design and engineer suitable water management solutions, using the UK's widest range of such products, makes it uniquely placed to provide effective and pragmatic designs to solve many of these issues.

While drainage systems in the UK must be able to cope with large amounts of water, in other territories water is a much scarcer resource. In the Middle East, where Polypipe enjoys an increasing market share, water management becomes much more about making the best use of the limited amounts available – while also providing systems that can cope with powerful, if infrequent, storms.

Polypipe's wide range of water management solutions allow for the creation of systems that are able to not only manage large amounts of water, limiting the risk of flooding to key infrastructure and property, but also allow the treatment and re-use of water. Indeed, the wicking capability of Polypipe's geocellular systems mean that green spaces are able to be created even in areas traditionally covered in desert – a key opportunity in states like Dubai, where urban greenery is considered a priority.

In residential dwellings and tall commercial buildings, Polypipe is able to begin the process of managing water at roof level. The company's market leading geocellular solutions, Permavoid, enables architects and M&E consultants to create podium decks within roofs that can capture water and release it

Polypipe

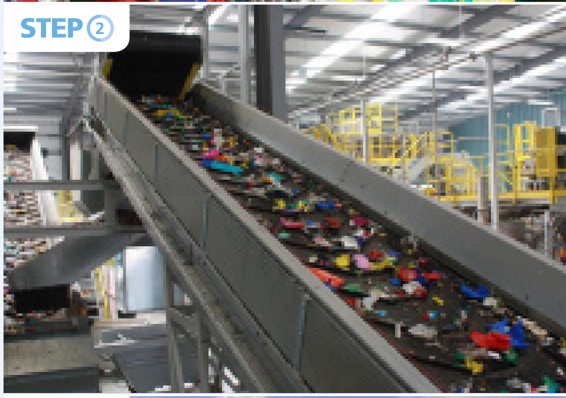
OUR SUSTAINABLE JOURNEY

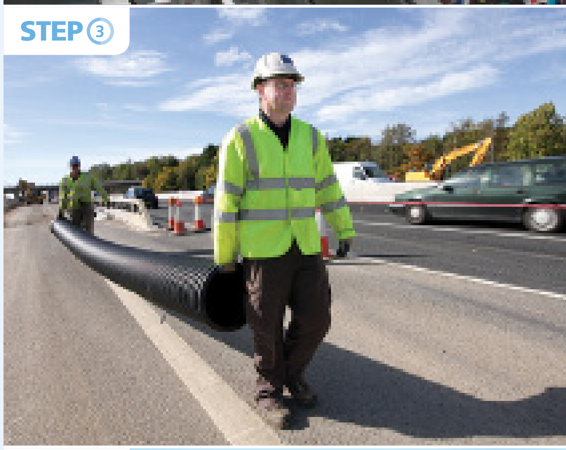
into surrounding drainage systems at a controlled rate to ensure systems don't get overwhelmed. In addition, these podium decks have the potential to encourage biodiversity in urban environments through the creation of green roofs. Building owners not only enjoy greater space to sell to potential residents, but can cultivate roof gardens that can actively help to mitigate issues such as the Heat Island Effect. This helps to maintain a stable climate and constant temperature inside the building and can be part of a carbon efficient solution to further reduce the energy requirement for cooling and air conditioning.

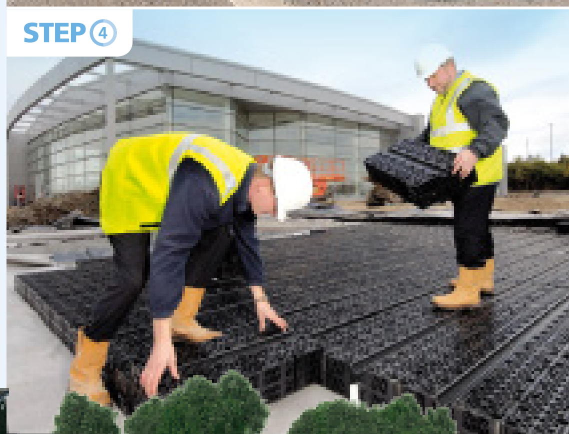
In addition to providing solutions for the management of water, the acquisition of Nuaire has significantly enhanced the Polypipe Group's ability to provide solutions for energy efficient ventilation alongside its heating products which are suited to low carbon heating. In built urban environments where space for accommodation is limited, high rise residential units are increasingly prevalent. While apartment blocks are ideal to meet the housing demands of cities, developers must deal with the complex issues of optimising space, managing air quality and overheating, without creating nuisance ambient noise. Nuaire's efficient and low-noise ventilation systems, with integral heat recovery and air filtration, provide solutions to these issues, offering developers low-energy solutions which safeguard the health of residents, in terms of providing sufficient fresh air.

With an increasing awareness of the need for cities to not only be resilient to flooding events, but to plan for these events in advance using principles like water sensitive urban design (WSUD), Polypipe and its experts can provide solutions for the creation of spaces that are healthy and safe by mitigating water abundance, water scarcity and poor air quality from manufacture through to system performance.

Away from the traditional built environment, Polypipe's expertise and product range is being put to the test in a range of sustainable applications designed to reduce greenhouse gas emissions and put sustainable energy use at the heart of public life. In recent years Polypipe's solutions have been included within hydro-electricity, wind farm and solar energy products, where the company's cable protection and ducting products have come into their own. Indeed, Polypipe's expert engineers have also been able to use systems traditionally used for water management and convert these into biomass tanks capable of recycling food waste into energy to power commercial premises.

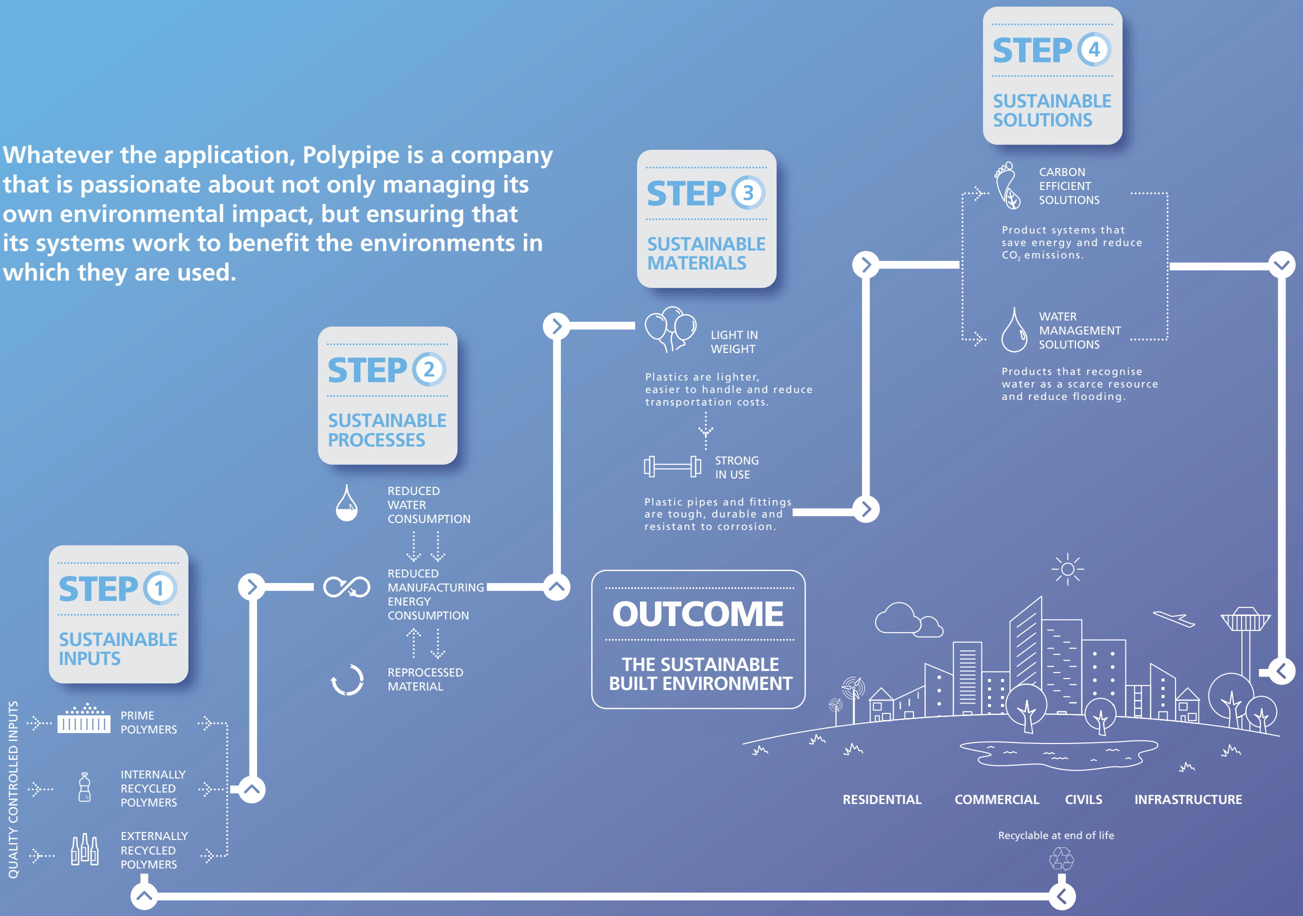







Carbon Efficient Solutions
see pages 24 to 25
Water Management Solutions
see pages 22 to 23

Whatever the application, Polypipe is a company that is passionate about not only managing its own environmental impact, but ensuring that its systems work to benefit the environments in which they are used.



SUSTAINABLE INPUTS

Enforcing quality, reinforces productivity. All of our raw materials whether prime or recycled polymers are sourced to a strict sustainable policy and this ensures all suppliers meet the highest standards. With ISO 9001 Quality Management and ISO 14001 Environmental Management accreditation, we only manufacture with the very best materials.

SUSTAINABLE PROCESSES

We have an environmental commitment – one we don't take lightly. So we don't just recycle all of our in-process material waste; we monitor every process and adjust the smallest thing to make a bigger difference. For example, we reduce power and water consumption by metering usage at machine level.

SUSTAINABLE MATERIALS

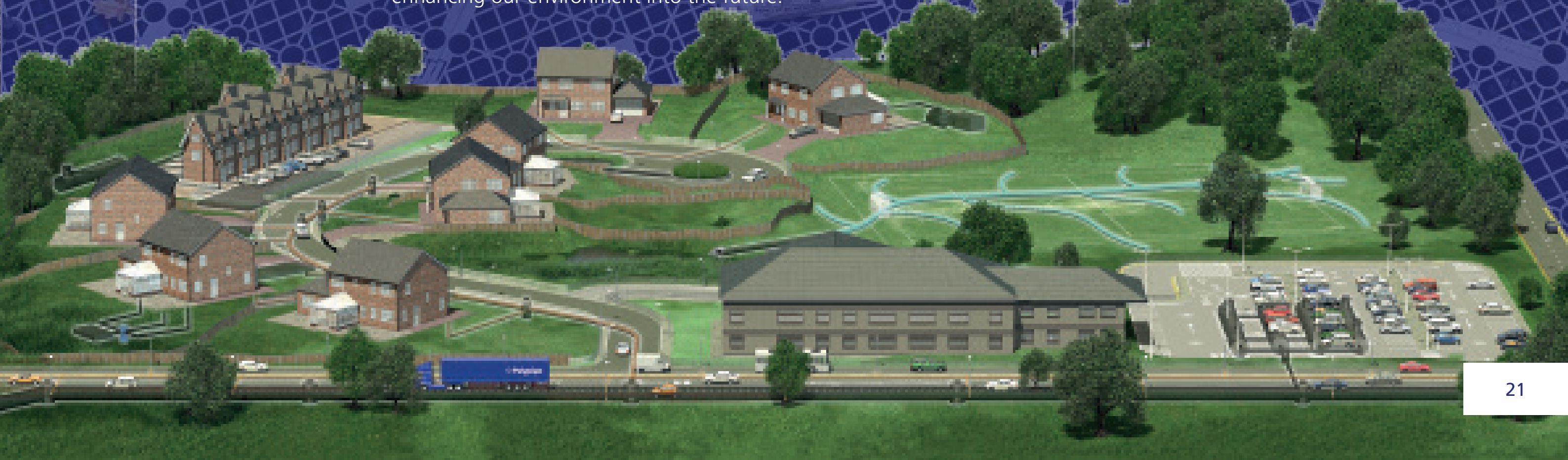
We're proud to manufacture plastic pipes that are strong yet light in weight. This fact alone helps towards considerably reducing fuel consumption in transportation, lowering health and safety risks on-site and, as we know, our products can be recycled at 'end of the life'.

SUSTAINABLE SOLUTIONS

Our products are not only sustainably produced, but they enhance sustainability in their installation and everyday use. For example, they save energy, reduce CO_2 emissions and manage water as a valuable resource. Systems such as our underfloor heating, mechanical ventilation with heat recovery and geocellular solutions provide the most comprehensive range available in the UK to meet these requirements. Recycling is just the start.

THE OUTCOME

The Built Environment spans across the residential, commercial, civils and infrastructure markets and contributes significantly to the environmental impact of our habitat.
At Polypipe, we are confident that our materials, processes, products and their application in installation and use are serving the demands of today and enhancing our environment into the future.



OUR SUSTAINABLE JOURNEY
In Action

With an increase in urbanisation across the globe, and the challenges that increased population density places on resources, national and regional governments are increasingly aware of the issues surrounding sustainability and the need for urban centres to be resilient to extreme events such as flooding and overheating.

Our expertise and product range make us the ideal partner to help manage the movement of water and the reduction of carbon in these environments, providing a truly global opportunity to create strategic partnerships in established and growing city markets.

WATER MANAGEMENT SOLUTIONS

In a world where cities are becoming more and more crowded, there's little room left for manoeuvre when it comes to managing water, especially in extreme weather conditions. While no systems can completely accommodate all flooding events, steps can be taken to mitigate the potential impact. Polypipe's extensive range of Water Management solutions are designed to reduce the potential impact of extreme flooding and to help cities recover more quickly.

In fact, to help cities become ever more resilient, Polypipe has developed systems to manage surface water, flooding, rainwater harvesting and treatment as well as recycling for re-use in flushing toilets.

The system design has been adopted under Section 104 Agreement by Anglian Water whilst also being in accordance with BS EN 1295.

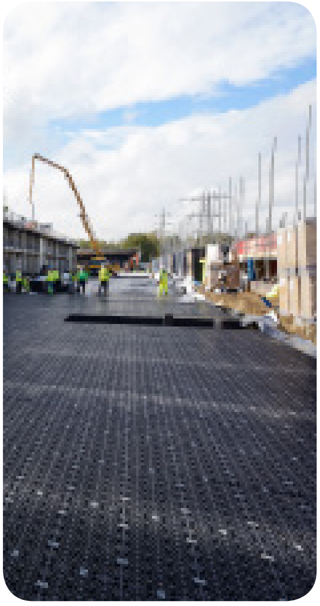
CASE STUDY REGENT'S PLACE

A 180-property development benefited from Polypipe's Ridgistorm-XL diameter piping system for a surface water attenuation system.

An attenuation tank was designed to store more than 2,052m^3 of storm water and cater for '1 in 100 plus 30% climate change' year storm events. Over 500m of Ridgistorm-XL was supplied, totalling 14 Ridgistorm-XL pipe runs in 2100mm diameters. A total of 34 pre-fabricated modularised fittings and 90-degree bends were also used.

Even though the site lacked space and even ground, Polypipe were able to provide a solution that met the project's exact needs.

LEADERSHIP IN WATER MANAGEMENT SOLUTIONS



CASE STUDY WALTHAMSTOW STADIUM

Polypipe was requested to provide a storm water management system for the redevelopment of Walthamstow Stadium. It featured 150mm deep Permavoid cells, with Permafilter geotextile laid on top between the cells and permeable paving. In areas without permeable paving, Permachannel and Permavoid Biomat were installed to capture, treat and attenuate surface water run-off.

The system can handle rainfall in the event of a '1 in 100' year storm and reduces urban storm water run-off from the site by 80%. The innate strength of the Permavoid cells is why Polypipe were called upon to help.

OUR SUSTAINABLE JOURNEY
In Action

CARBON EFFICIENT SOLUTIONS

As with our Water Management solutions, Polypipe's Carbon Efficient solutions satisfy the most stringent of Government legislation. We continue to invest in those products to enable collection, transmission, emission and control in heating, ventilation and cooling. It simply makes built environments better, more energy efficient, more comfortable to live in and cleaner. This results in a satisfying outcome, not just for Governments, but for everyone.

OUR SOLUTIONS

As city centre traffic pollution is on the rise, Polypipe installed a ventilation system inside a new waterfront apartment development in Bristol to create one of the healthiest postcodes in the city.

Product Innovation

Enabling Sustainable Building Technology

Nuaire's low profile Q-Aire carbon filter

CASE STUDY NUAIRE BRISTOL

Polypipe supplied a number of low-energy MVHR and MEV systems to a new apartment development, with the addition of an innovative filtration product to help combat the effects of city centre pollution.

The carbon filter prevents nitrogen dioxide and particulate matter (PM) from traffic on a busy road from entering the apartment block and ensures homeowners benefit from the very highest quality of indoor air. This in-turn, allowed the developers, to meet strict planning conditions that were in place to protect the future residents from illnesses caused by poor air quality.

LEADERSHIP IN **CARBON EFFICIENT SOLUTIONS**

Manufacturing & Logistics Scale

Sustainable Products and Practices

Polypipe Ridgiduct Power HV helped to deliver power to 20,000 homes in Scotland.

CASE STUDY COUR WIND FARM

Polypipe supplied over 10km of Ridgiduct Power HV to help connect new wind turbines to the Scottish power grid in Cour. The system was made up of a twinwall cable protection system and a full range of fittings and accessories designed for use with high voltage power communication cables. The range is light in weight, flexible, durable, high in strength and can be cut to the required lengths needed. The system not only aided the delivery of power to homes but offered a robust alternative to PVCu cable protection.

Polypipe

CHIEF FINANCIAL OFFICER'S REPORT

REVENUE GROWTHAND OPERATING MARGIN

	2016 £m	2015 £m
Revenue	**436.9**	352.9
Underlying operating profit	**69.4**	54.2
Underlying operating margin	**15.9%**	15.4%

	Growth	LFL Growth*
Group	**23.8%**	**9.1%**
UK	**25.3%**	**10.5%**
Mainland Europe	**14.9%**	**2.4%**

* Like for like (LFL) measures exclude acquisitions, where relevant, and are at constant currency translation.

Group revenue at £436.9m grew 23.8% in the year, or 9.1% on a like for like basis excluding acquisitions and on a constant currency translation basis. Our UK operations, which include our Middle East factory due to the strong link with UK manufactured export product, grew 25.3% or 10.5% on a like for like basis. Strong growth in the Commercial and Infrastructure Systems – UK segment and improving performance in the UK Residential Systems segment in the second half of the year contributed to this performance, with little impact of the EU Referendum seen in our end markets. The effect of selling prices on revenue growth was negligible in the year, with deflationary effects from prior year running on into the first part of 2016, offset by a small selective price increase in April 2016. UK like for like volume growth is therefore 10.5%, although adjusting for one extra working day in 2016 compared to 2015, and an element of pre-price increase ordering by the merchants, we estimate true underlying volume growth to be c.8.8%. This growth is ahead of the UK construction market which according to ONS/CPA data for 2016 we estimate to have grown 2.3% adjusting for anomalies relevant to our business. This demonstrates the continued success of our strategy to grow by focussing on legacy material substitution opportunities, legislative tailwinds relating to carbon reduction and water management, and selective export markets such as the Middle East. Mainland Europe revenue grew 14.9% although much of this was down to currency translation, with like for like revenue growth at 2.4%.

The Group underlying operating margin improved to a record 15.9% (2015: 15.4%). Operational leverage and self-help efficiency benefits have more than offset the impact of polymer cost inflation driven by the post EU Referendum weakening of Sterling. Selling price increases have been implemented to recover this and other inflationary effects, but will not impact margins until the second quarter of the current year. The favourable currency translation impact relating to our Mainland Europe businesses, whilst significant in revenue terms, had little impact on earnings.

UNDERLYING OPERATING PROFIT GROWTH OF

28.0%

50 BPS IMPROVEMENT IN UNDERLYING OPERATING MARGIN TO A RECORD

↑15.9%

STRONG CASH CONVERSION RATE MAINTAINED

97.1%

NET DEBT REDUCED TO

1.9

TIMES EBITDA

NON-UNDERLYING ITEMS

Non-underlying items in both 2016 and 2015 predominantly related to costs associated with the acquisitions made during 2015. In 2016 they included non-cash charges of £7.7m in respect of a full year of intangible assets amortisation (£6.8m) and the impairment of a surplus freehold property which is held for sale (£0.9m). In 2015 they included non-cash charges of £4.7m in respect of a part year of intangible assets amortisation (£3.0m) and unamortised debt issue costs written off (£1.7m).

Non-underlying items comprised:

	2016 £m	2015 £m
Amortisation of intangible assets	**6.8**	3.0
Acquisition costs	**–**	2.0
Unamortised debt issue costs written off	**–**	1.7
Impairment of freehold land and buildings	**0.9**	–
Profit on disposal of property, plant and equipment	**(0.3)**	(0.2)
Non-underlying items before taxation	**7.4**	6.5
Taxation	**(1.6)**	(1.8)
Non-underlying items after taxation	**5.8**	4.7

Taxation on non-underlying items is covered in the note on taxation below.

EXCHANGE RATES

The Group is exposed to movements in exchange rates when translating the results of its Mainland Europe operations from Euros to Sterling. Sterling depreciated against the Euro during 2016, particularly following the EU Referendum in June, with the average exchange rate used for translation purposes moving from £1:€1.38 in 2015 to £1:€1.23 in 2016. The impact of this was a £6.2m positive effect on revenue with no significant impact on underlying operating profit.

The Group trades predominantly in Sterling but has some revenues and costs in other currencies, mainly the US dollar and the Euro, and takes appropriate forward cover on these flows using forward currency derivative contracts.

Forward currency derivative contracts are classified as held for trading. There was an unrealised loss of £1.5m (included in financial liabilities) on these derivative contracts at 31 December 2016 (2015: £0.1m loss) resulting in an income statement charge of £1.4m during the year (2015: £0.1m credit). This charge is treated as an underlying charge and is recorded in Cost of sales in the income statement.

FINANCE COSTS

Net underlying finance costs for the year of £7.6m were £1.4m higher than the prior year. This increase reflected the full year impact of higher net debt following the Nuaire acquisition in August 2015, offset by the improved terms of our new RCF entered into at the same time.

Interest is payable on the RCF at LIBOR plus an interest rate margin ranging from 1.25% to 2.75%. The interest rate margin at 31 December 2016 was 2.00% (2015: 2.25%).

In order to reduce exposure to future increases in interest rates the Group has entered into interest rate swaps at fixed rates ranging between 1.735% and 2.21% (excluding margin) with notional amounts hedged ranging from £60.0m to £91.7m over the period of the interest rate swaps.

The unrealised mark to market adjustment on these forward interest rate swaps at 31 December 2016 was £4.2m negative (2015: £2.1m negative), the movement in the mark to market adjustment during the year of £2.1m is included in the Group Statement of Comprehensive Income.

TAXATION

Underlying taxation:

The underlying tax charge in 2016 was £11.8m representing an effective tax rate of 19.1% (2015: 19.2%). This is slightly below the UK standard tax rate of income tax of 20.0% due primarily to the benefit of patent box relief. The impact of our Mainland Europe operations on the Group's tax charge is currently not significant.

Taxation on non-underlying items:

The non-underlying taxation credit of £1.6m in 2016 represents an effective rate of 21.6%.

EARNINGS PER SHARE

	2016 £m	2015 £m
Pence per share:		
Basic	**22.2**	17.1
Underlying basic	**25.1**	19.5
Diluted	**22.1**	17.1
Underlying diluted	**25.0**	19.4

The Directors consider that the underlying earnings per share (EPS) measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.

Underlying diluted EPS improved by 28.9% in 2016 due to the improved underlying operating result and the marginally lower underlying tax rate as explained above offset by higher interest costs.

Polypipe

CHIEF FINANCIAL OFFICER'S REPORT

DIVIDEND

The final dividend of 7.0 pence per share is being recommended for payment on 2 June 2017 to shareholders on the register at the close of business on 28 April 2017. The ex-dividend date will be 27 April 2017.

Our dividend policy is to pay a minimum of 40% of the Group's annual underlying profit after tax. The Directors intend that the Group will pay the total annual dividend in two tranches, an interim dividend and a final dividend, to be announced at the time of announcement of the interim and preliminary results respectively in the approximate proportions of one-third and two-thirds, respectively. The Group may revise its dividend policy from time to time.

BALANCE SHEET

The Group's balance sheet is summarised below:

	2016 £m	2015 £m
Property, plant and equipment	**101.0**	98.1
Goodwill	**329.3**	329.3
Other intangible assets	**42.3**	49.1
Net working capital	**0.5**	(2.3)
Taxation	**(14.3)**	(14.7)
Other current and non-current assets and liabilities	**(7.1)**	(4.2)
Net debt (loans and borrowings, net of cash and cash equivalents)	**(164.3)**	(194.3)
Net assets	**287.4**	261.0

Property, plant and equipment increased by a net £2.9m predominantly due to capital expenditure exceeding depreciation by a similar amount. Other intangible assets decreased by £6.8m reflecting a full year of amortisation in respect of the 2015 acquisitions. Net working capital increased by £2.8m although much of this relates to currency translation effects in our Mainland Europe operations. Other current and non-current assets and liabilities increased by a net £2.9m primarily due to the increase in the fair value liability of our forward foreign currency derivatives and interest rate swaps. Net debt is discussed below.

PENSIONS

The Group does not have any defined benefit pension schemes and only has defined contribution pension arrangements in place. Pension costs for the year amounted to £2.7m (2015: £1.7m).

CASH FLOW AND NET DEBT

Cash generated from operations during the year, excluding the impact of non-underlying items, and the cash conversion rate defined as the ratio of operating cash flow after capital expenditure to operating profit (also excluding the impact of non-underlying items) were:

	2016 £m	2015 £m
Underlying operating profit	**69.4**	54.2
Depreciation	**16.3**	15.1
Underlying operating profit before depreciation (EBITDA)	**85.7**	69.3
Movement in net working capital	**(0.2)**	4.9
Share-based payments	**1.0**	0.4
Operating cash flow	**86.5**	74.6
Capital expenditure	**(19.1)**	(19.3)
Operating cash flow after capital expenditure	**67.4**	55.3
Cash conversion rate	**97.1%**	102.0%

Cash generated from operations (excluding non-underlying items) after capital expenditure was strong showing an increase of 21.9% during the year to £67.4m (2015: £55.3m) and this was after capital expenditure of £2.8m or 17.2% greater than depreciation. The cash conversion rate, a key measure of operating cash flow performance, remained strong at 97.1% of underlying operating profit.

In a measured response to the uncertainty created by the EU Referendum in June 2016, we took the decision to delay certain capacity expansion capital expenditure projects, whilst continuing to spend on development growth projects and essential replacement. Consequently, capital expenditure in 2016 was marginally lower than the prior year at £19.1m (2015: £19.3m), and significantly below our original plans for 2016. Spend on key projects such as completion of our manufacturing facility in the Gulf, a replacement extrusion line in our Broomhouse Lane plant and investment in equipment to allow product range expansion in our Terrain business unit has however continued during the year. The performance of the Group since the EU Referendum and the more positive economic outlook compared to the period immediately afterwards has given us the confidence to resume those delayed projects, and therefore capital expenditure in 2017 is expected to be up to 30% higher than 2016 expenditure.

During the year, one million shares were purchased and held in treasury, for the purposes of satisfying future employee share option schemes. This cost a total of £2.9m in the year.

Net debt of £164.3m comprised:

	2016 £m	2015 £m	Change £m
Bank loans	**(192.0)**	(217.5)	25.5
Cash and cash equivalents	**26.5**	21.6	4.9
Net debt (excluding unamortised debt issue costs)	**(165.5)**	(195.9)	30.4
Unamortised debt issue costs	**1.2**	1.6	(0.4)
Net debt	**(164.3)**	(194.3)	30.0
Net debt (excluding unamortised debt issue costs): EBITDA	**1.9**	2.5*	

* Adjusted to include a full year of EBITDA from acquisitions made during the previous twelve months.

At 31 December 2016 liquidity headroom (cash and undrawn committed banking facilities) was substantial and improved to £134.5m (2015: £104.1m). Continued focus on deleveraging following the Nuaire acquisition in August 2015 has seen our net debt to EBITDA ratio reduce substantially to 1.9 times EBITDA at 31 December 2016 (2015: 2.5 times), beating the target of 2.0 times EBITDA set at the beginning of the year, and demonstrating the cash generative nature of the business. This headroom enables us to continue to develop our acquisition pipeline and we continue to seek out compelling opportunities to accelerate growth in our strategic development areas.

FINANCING

The Group has a revolving credit facility (RCF) committed through to August 2020 with a facility limit at 31 December 2016 of £300m, reducing by £10m per annum at 31 December 2017, 2018 and 2019. At 31 December 2016, £192.0m of the RCF was drawn down.

The Group is subject to two financial covenants. At 31 December 2016 there was significant headroom:

Covenant:	Covenant requirement	Position at 31 December 2016
Interest cover*	>4.00:1	9.7:1
Leverage**	<3.25:1	1.9:1

* Underlying operating profit:Net finance costs excluding debt issue cost amortisation

** Net debt:EBITDA

FORWARD-LOOKING STATEMENTS

This report contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the Group's control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this report and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this report should be construed as a profit forecast.

Martin Payne
Chief Financial Officer

PRINCIPAL RISKS & UNCERTAINTIES

FRAMEWORK FOR MANAGING RISK

The Board is responsible for ensuring that the Group maintains an effective risk management system. It determines the Group's approach to risk, its policies and the procedures that are implemented to mitigate exposure to risk.

PROCESS

The Board continually assesses and monitors the key risks in the business and Polypipe has developed a risk management framework to identify, report, and manage its principal risks and uncertainties. This includes the recording of all principal risks and uncertainties on a Group Risk Register and a Group Risk Profile which are both updated at least every six months. Risks are fully analysed, allocated owners, scored for both impact and probability to determine the exposure to the business, which should be prioritised, and what mitigation is required.

External risks include economic conditions, the weather, Government action, policies and regulations, raw material prices and information systems disruption. Internal risks include reliance on key customers, and recruitment and retention of key personnel.

The Board seeks to mitigate the businesses' exposure to strategic, financial and operational risk, both external and internal. The effectiveness of key mitigating controls is continually monitored and subjected to periodic testing by the Group Financial Controller.

The table below highlights the principal risks and uncertainties that could have a material impact on the Group's performance and prospects and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising. These risks have all been considered by the Board when developing the Group's Viability Statement. The Board does recognise however that it will not always be possible to eliminate these risks entirely. In addition, the principal risks listed below do not comprise all of the risks that the Group may face and they are not listed in order of priority, probability or magnitude of potential impact.

Risk	Potential Impact	Mitigations	Change in potential impact and/or probability
Raw material prices			
The Group is exposed to volatile raw material prices, particularly polymers, due to fluctuations in the market price of crude oil and other petroleum feedstocks, foreign currency exchange rate movements, and changes to suppliers' manufacturing capacity.	Any increase in the market price of crude oil or other petroleum feedstocks, foreign currency exchange rate movements, or changes to suppliers' manufacturing capacity could have a direct impact on the prices the Group pays for raw materials which could adversely affect its financial results.	The Group seeks to pass on raw material price increases to its customers wherever possible. There is usually at least a three-month time lag from notification of the raw material price increase before selling prices can be adjusted in the market. Competitors of the Group are likely to experience the same pressures of any sustained raw material price increases.	Increased
Business disruption			
The Group's manufacturing and distribution operations could be subjected to disruption due to incidents including, but not limited to, fire, failure of equipment, power outages, workforce strikes, or unexpected or prolonged periods of severe weather.	Such incidents could result in the temporary cessation in activity, or disruption, at one of the Group's production facilities impeding the ability to deliver its products to its customers, thereby adversely affecting the Group's financial results. In addition, prolonged periods of severe weather could result in a slowdown in site construction activity reducing the demand for the Group's products thereby adversely affecting its financial results.	The Group has developed business continuity, crisis response, and disaster recovery plans. The Group performs regular maintenance to minimise the risk of equipment failure. Finished goods holdings across the operations acts as a limited buffer in the event of operational failure. The Group has the ability to transfer some of its production to alternative sites and could also subcontract out some of its tooling to reduce any potential loss in production capacity. The Group maintains a significant amount of insurance to cover business interruption and damage to property from such incidents. Independent insurer inspections take place across all sites to identify and assess potential hazards and business interruption risks.	No change

Risk	Potential Impact	Mitigations	Change in potential impact and/or probability
Reliance on key customers			
Some of the Group's businesses are dependent on key customers in highly competitive markets.	Failure to manage relationships with key customers, whilst continuing to provide high quality products delivered on time in full, and developing new innovative products, could lead to a loss of business thereby adversely affecting the Group's financial results.	The Group's strategic objective is to broaden its customer base wherever possible. The Group focuses on delivering exceptional customer service and maintains strong relationships with major customers through direct engagement at all levels. The Group maintains customer service matrices which are continually tracked and monitored with intervention made where required. The Group closely manages its pricing, rebates, and commercial terms with its customers to ensure that they remain competitive. The Group continually seeks to innovate and develop its product lines to ensure its products are to the standard our customers expect.	No change
Recruitment and retention of key personnel			
The Group is dependent on the continued employment and performance of our senior management team and other key skilled personnel.	Loss of any key personnel without adequate and timely replacement could disrupt business operations and the Group's ability to implement and deliver its growth strategy.	The Group has a formal succession plan in place facilitating staff retention and progression through the Group. The Group aims to provide competitive remuneration packages and incentive schemes to retain and motivate key personnel.	Reduced
Economic conditions			
The Group is dependent on the level of activity in the construction industry and is therefore susceptible to any changes in its cyclical economic conditions.	Lower levels of activity within the construction industry could reduce sales and production volumes thereby adversely affecting the Group's financial results.	The Group closely monitors trends in the industry, invests in market research and is an active member of the Construction Products Association. The Group uses Construction Products Association and Euroconstruct forecasts in its budgeting process. The Group closely manages its demand forecasts and costs through weekly operational review meetings.	No change
Government action and policies			
The Group is in part dependent on Government action and policies relating to public and private investment and is therefore susceptible to changes in Government spending priorities.	Significant downward trends in Government spending on public and private investment arising from economic uncertainty and ongoing austerity policies could have an adverse impact on the construction industry which could impact on sales and production volumes thereby adversely affecting the Group's financial results.	The Group's strategy is to have its operations structured so that it has a balanced exposure to the residential, commercial and infrastructure construction sectors so as to reduce the impact of any adverse Government action or policy on any one of the construction sectors. The Group closely monitors trends in the industry, invests in market research and is an active member of the Construction Products Association. The Group closely manages its demand forecasts and costs through weekly operational review meetings.	No change

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PRINCIPAL RISKS & UNCERTAINTIES

Risk	Potential Impact	Mitigations	Change in potential impact and/or probability
Government regulations and standards relating to the manufacture and use of building materials			
The Group is subject to the requirements of UK and European environmental and occupational safety and health laws and regulations, including obligations to investigate and clean up environmental contamination on or from properties.	Failure of the Group to comply with changes to environmental regulations and other obligations relating to environmental matters could result in the Group being liable for fines, require modification to operations, increase manufacturing and delivery costs, and could result in the suspension or termination of necessary operational permits, thereby adversely affecting the Group's financial results.	The Group has a formal Health, Safety and Environmental policy, and procedures are in place to monitor compliance with the policy. The Group performs internal environmental audits and is subjected to external environmental audits on a periodic basis. The Group performs weekly and monthly reporting on key Health, Safety and Environmental matters which require the attention of the Board.	No change
Product liability			
The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. These products are often incorporated into the fabric of a building or dwelling, or buried in the ground as part of an infrastructure system and in each case, it would be difficult to access, repair, recall or replace such products.	A product failure or recall could result in a liability claim for personal injury or other damage leading to substantial financial settlements, damage to the Group's brand reputation, costs and expenses and diversion of key management's attention from the operation of the Group, which could all adversely affect the Group's financial results.	The Group operates comprehensive quality assurance systems and procedures at each site. Wherever required, the Group obtains certifications over its products to the relevant national and European standards including Kitemarks, BBAs, WRCs and WRACs. The Group maintains product liability insurance to cover third party claims arising from potential product failures or recalls.	No change
Information systems			
The Group is dependent on the continued efficient operation of its information systems and is therefore vulnerable to potential failures due to power losses, telecommunication failures, or from an external security breach due to the increasing levels of sophisticated cyber-crime now threatening businesses.	Disruption or failure of the information systems could affect the Group's ability to conduct its ongoing operations which could adversely affect the Group's financial results.	The Group contracts with several third party providers to supply off-site, business continuity arrangements for wholesale or partial recovery of the key servers and applications which are used within the various business units of the Group. These continuity arrangements are subject to periodic validation and testing. Some business units of the Group also take advantage of their multi-site operations to provision server and applications recovery between those sites. There are a range of local, business unit specific, back up processes which are performed on a daily, weekly and monthly basis. Firewalls are in place to protect the perimeter of the Group's networks and any off-site access to the Group's servers and applications is through secure Virtual Private Network connections. In addition, email and internet traffic filtering is in place to protect against potential viruses or malware entering the Group's networks. User and server computing devices have anti-virus software installed to protect from potential infection. The Group continually invests in the maintenance and upgrade of IT infrastructure and information systems. All upgrades are carefully planned and actively managed by senior personnel to minimise potential business disruption.	No change

Risk	Potential Impact	Mitigations	Change in potential impact and/or probability
Acquisitions			
The management of acquisitions' activity and their integration play a part in delivering the Group's growth strategy and there is a risk that any acquisitions may not perform as expected.	Ineffective management of acquisitions could lead to management distraction, a drain on financial resources, and impact on the Group's ability to successfully implement and deliver its growth strategy.	Full due diligence is performed before any acquisition is made. The Group seeks contractual assurances from the sellers to mitigate against any identified issues or risks. Formal Board level approvals are required in accordance with the Group's delegation of authority structure for any acquisition activity. The progress of any integration is closely monitored at Board and senior management team level.	Reduced
Financial risk management			
The Group's operations expose it to a variety of financial risks that include the effects of:		The Group has in place financial risk management procedures that seek to limit the potential adverse effects of the financial risks as follows:	
Foreign currency exchange risk – The risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign currency exchange rates. The Group's risk relates primarily to its operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.	**Foreign currency exchange risk** – Foreign currency exchange rate fluctuations could adversely affect the Group's financial results.	**Foreign currency exchange risk** – The Group enters into forward foreign currency exchange rate contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in foreign currency exchange rates primarily in respect of US Dollars and Euros relative to Pounds Sterling. It is not possible for the Group to mitigate foreign currency exchange rate movements which impact the translation of its overseas subsidiaries' results and net assets as all of the Group's long-term borrowings are Pounds Sterling denominated.	No change
Credit risk – The risk that a counterparty of the Group will not be able to meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risk from its trading activities (primarily from trade receivables) and from its financing activities, including deposits with banks.	**Credit risk** – The failure of a counterparty to meet their financial obligations could lead to a financial loss for the Group.	**Credit risk** – Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or credit insurance. Where the Group perceives there to be a significant credit exposure it will take out credit insurance or obtain an irrevocable letter of credit prior to any transaction. Credit risk arising from cash deposits with banks is managed in accordance with the Group's established treasury policy, procedures and controls. Investments of surplus funds are made only with banks that have as a minimum a single A credit rating.	No change
Liquidity risk – The risk that the Group will not be able to meets its financial obligations as they fall due.	**Liquidity risk** – Insufficient funds could result in the Group not being able to fund its operations.	**Liquidity risk** – The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.	Reduced
Interest rate cash flow risk – The risk that interest rates could rise impacting on the Group's borrowings.	**Interest rate cash flow risk** – Increases to interest rates could result in significant additional interest rate cash payments being required on any borrowings.	**Interest rate cash flow risk** – To reduce the Group's exposure to future increases in interest rates, the Group has entered into interest rate swaps from variable to fixed interest rates.	Reduced

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CORPORATE RESPONSIBILITY STATEMENT

POLICY

Polypipe's policy is to enhance shareholder value whilst ensuring we provide a safe working environment and continually seeking to minimise the impact of our operations and products on the environment.

The Board considers that operating efficiently with high quality standards includes promoting high standards of health and safety and helping to protect the environment.

This section of the Strategic Report sets out our approach to corporate responsibility and includes regulatory information on carbon emissions, employee diversity and our policies in relation to the recruitment and retention of our employees.

EMPLOYMENT

Our vision for our businesses and employees is to have a culture of customer focussed continuous improvement, driven by teamwork, effective communication and personal development. Our core values are hard work, honesty, trust and integrity and maintaining a working environment based on mutual respect.

Polypipe is committed to providing the appropriate skills and technical training which allows employees to operate effectively and safely in their roles and deliver excellent customer service. As part of our ongoing commitment to customer service excellence, a further 15 employees received Institute of Customer Service training during the year, resulting in over 200 employees benefitting from this programme in the last 3 years, and all our new starters in front line service areas will receive this training on joining the Group.

Polypipe has consistently provided apprenticeships to the communities around our businesses by supporting enthusiastic, highly motivated people who are keen to learn a trade. We have an outstanding record of retaining apprentices in ongoing, long-term, full time employment, indeed many of our management team started with the business as apprentices. We consider it an essential part of finding and retaining people with the sector specific skills that we need.

During 2016 we had 40 apprentices employed in our businesses in the UK, up from 18 apprentices only two years ago, and we intend to increase the number of our apprentices further. The majority of our apprenticeships are in electrical, mechanical and tool-making trades but we continue to support a limited number of apprenticeships in other disciplines.

Underlining our commitment to advanced manufacturing engineering, we continue to place apprentices at the new University of Sheffield Advanced Manufacturing Research Centre, a state-of-the-art centre which offers the very best in practical and academic training. In support of our engineering focus we continue to work closely with Cogent, sector skills council to the science industry, supporting ongoing development of industry specific apprenticeship frameworks for the future.

The Group involves employees through formal and informal systems of communication and consultation. Each of our main operating sites have display boards which set out our continuous improvement strategy and include KPI's updated each month on relevant areas to the strategy such as health and safety performance, products and process improvement initiatives and customer satisfaction performance.

Whilst the Group does not have a specific human rights policy, it does have an Anti-Slavery policy and Modern Slavery and Human Trafficking statement available on the Company's website, within which we state our zero tolerance policy towards any modern slavery or human trafficking rights violations.

The Group gives every consideration to applicants for employment regardless of their sex, sexual orientation, religion, colour, race, nationality, marital status or disability having regard for their aptitude and ability to adequately carry out the job whilst maintaining a safe working environment. Where employees become disabled, the Group endeavours to employ them provided there are duties they can perform, bearing in mind their aptitudes and abilities.

The Group's split between male and female employees at 31 December 2016 is shown below:

	Female	Male	Total
Directors	1	5	6
Senior Managers	43	167	210
Employees	593	2,205	2,798
Total	**637**	**2,377**	**3,014**

HEALTH AND SAFETY

The Group aims to continuously improve the quality and safety of the working environment for all employees. The Group has a published Health, Safety and Environment policy which sets out the overriding principles of health and safety for all employees. The business units operate to externally accredited ISO / OHSAS standards.

Health and Safety achievements in the year included:

For the fourth consecutive year the Group achieved the RoSPA Gold Award for exceptional performance and dedicated support for health and safety within the organisation.

Polypipe's tool making and repair business, Mason Pinder, based in Thorne, achieved 3,000 days without a lost time accident. This is an outstanding achievement and a significant milestone of which everyone at Mason Pinder can be proud. This achievement resulted in a donation to the Children's' Heart Surgery Fund of £1,230, which means the total amount donated under the Charity Award for Safety and Health (CASH) scheme is over £3,600.

The Group continued the implementation of a focussed formalised safety tour programme for management. These safety tours, undertaken by Executive Directors through to department managers, engage staff and further encourage health, safety and environmental discussion and improvement.

The Group operates a formal system for reporting and recording hazards and near misses. The 'See it, Sort it, Report it' scheme encourages individuals across the business at all levels to report hazards, suggest solutions and allows trends to be analysed. In 2016, the number of such reports reached record levels resulting in improvement projects being delivered across the Group which in turn enhanced employee working environment safety.

Accident frequency performance and details of all significant incidents are reviewed during the weekly executive meeting attended by the Executive Directors and certain senior managers.

The table below sets out the KPI's used by the Group to monitor accident performance:

	2014	2015	2016
Frequency per 100,000 hours worked			
– all accidents	9.87	6.96	6.93
– RIDDORS*	0.64	0.70	0.70

* HSE reportable accidents and dangerous occurrences based on the current seven-day absence from work reporting requirement in the UK and although there is no direct equivalent in Mainland Europe and the Middle East the same definition is applied.

THE ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

We aim to minimise the lasting impact of our operations on the environment, and sustainability is a key feature of our products and their impact on the environment. See pages 19 to 24 for further details of our sustainable solutions for the environment.

Our modern and efficient injection moulding and extrusion operations use significant amounts of electricity. We monitor very closely our electricity usage, even at a machine level, and take a proactive approach to improve energy efficiency. The Group collects electricity and natural gas usage information from each operation on a monthly basis. During 2016 our energy usage increased in line with the c.8% increase in tonnage throughput.

Greenhouse gas (GHG) emissions for the Group during 2016, in tonnes of carbon dioxide equivalent (tCO_2e), were as follows:

	tCO_2e	%
Source		
– fuel combustion (stationary)	4,344	7
– fuel combustion (mobile)	13,696	22
– fugitive emissions (F-gas)	622	1
– purchase electricity	43,862	70
	62,524	100

Our GHG emissions annual comparison and intensity were as follows:

	2015	2016	change
tCO_2e			
Total emissions	62,891	62,524	(0.6)%
Emissions intensity*	0.43	0.39	(9.3)%

*Expressed in tCO_2e per tonne of output.

Our GHG emissions were calculated using the methodology set out in the updated GHG reporting guidance issued in June 2013 by the Department for Environment, Food and Rural Affairs (DEFRA). Emission factors were taken from the Department of Energy and Climate Change / DEFRA's 2016 update of GHG Conversion Factors for Company Reporting, with the exception of non-UK electricity which was taken from the International Energy Agency's 2016 update.

RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

Suppliers are key to our business and we endeavour to build long-term relationships with them based on trust. We will seek to extend our supplier base if risks of under capacity or resilience arise in our supply chain. Polypipe has no significant suppliers who are wholly dependent on the Group's business. Suppliers are paid in line with contractual obligations.

We stay close to our existing and potential customers and distributors and strive to meet their needs. Our businesses are focussed on achieving market leading delivery service levels for our customers and to respond quickly to their emerging requirements.

POLYPIPE AND THE LOCAL COMMUNITY

Each operation is aware of its role within its local community. Wherever possible they seek to recruit locally and retain a skilled local workforce. They are encouraged to build relationships with local community organisations and to support charitable initiatives. These activities range from the organisation of our Annual Charity Sailing Regatta in which over 700 people from our customers and associates participated, a themed car rally across Europe, through to quiz nights and cake sales. Our employees raised over £38,000 (2015: £26,000) for worthwhile causes during the year from these activities.

Charitable donations by Group companies during the year were £27,000 (2015: £19,000).

ANTI-BRIBERY AND CORRUPTION POLICY

The Group seeks to prohibit all forms of bribery and corruption within its business and complies with the requirements of all applicable Bribery and Corruption Laws.

The Group requires all relevant employees and agents to confirm each year that they remain in compliance with the Group's Anti-Bribery policy.

Approved by the Board and signed on its behalf.

David Hall
Chief Executive Officer
30 March 2017

Polypipe

OUR SOLUTIONS

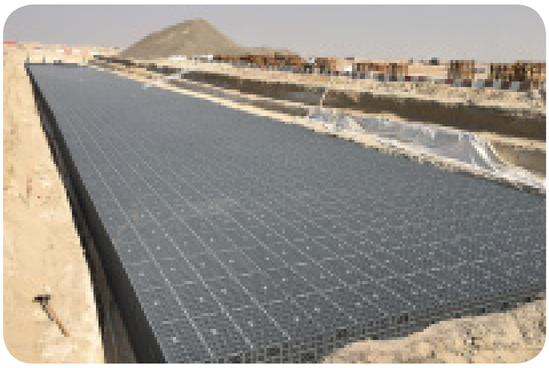
POLYSTORM PSM1 MITIGATES FLOOD EVENTS ON 2,000 HOME DEVELOPMENT

70,000m^3 of Polystorm PSM1 was selected to provide a storm water system for a new residential complex in Dubai.

Leading Edge Design Expertise

Sustainable Products and Practices

With the opening of Polypipe Middle East, Polypipe were able to manufacture the system locally and with quick delivery to the site.



CASE STUDY JEBEL ALI HILLS MIDDLE EAST

With the Middle East suffering from the effects of storm water events and due to the location of the new development, a local storm water network was unavailable to provide a system that met the projects needs and demands. Therefore, Polypipe was called upon to supply a robust solution to mitigate flood events on this new 2,000 home residential build.

In excess of 70,000m3 of Polystorm PSM1 Geocellular Modular Soakaway was provided as it allowed design flexibility and ensured a design life in excess of 50 years.

Not only did Polypipe provide the system, but they also assisted with third party independent material test results, design guidance, structural calculations and on-site installation instruction to all contractors on-site.

OUR GOVERNANCE

BOARD
OF DIRECTORS

RON MARSH
Independent Non-Executive Chairman
Committees: Nomination, Remuneration

Ron Marsh was appointed to our Board of Directors on 28 March 2014 as the Senior Independent Director and as Independent Non-Executive Chairman since 27 May 2015. Mr Marsh is currently a Non-Executive Director of R.Faerch Plast A/S, the Senior Independent Director of Walstead Group Limited and was, from 1989 until 2013, Chief Executive of RPC Group. Mr Marsh is also Chairman of the UK based Packaging Federation and the Alliance for European Polymers which was established under the auspices of EuPC (European Plastic Converters) in 2015. Mr Marsh has a Bachelor of Arts in History from Oxford University.

DAVID HALL
Chief Executive Officer
Committees: Nomination

David Hall is our Chief Executive, a position he has held since September 2005, previously being employed with the Group from January to December 2004, until leaving to work with private equity in connection with the original buyout. Prior to that, he held Managing Director positions with plastic piping divisions of Marley plc (before and after its acquisition by Etex) and Glynwed plc following its acquisition by Etex (now Aliaxis), one of the world's largest manufacturer of plastic pipes and fittings. Mr Hall has more than 20 years of experience in the building products industry and is currently President of the British Plastics Federation and a previous Vice Chairman of the Construction Products Association. Mr Hall has a Bachelor of Science degree in Mechanical Engineering.

MARTIN PAYNE
Chief Financial Officer

Martin Payne is a member of our Board of Directors and our Chief Financial Officer, a position he has held since May 2016. Before joining Polypipe Mr Payne served as Group Finance Director at Norcros plc, a leading supplier of branded showers, taps, bathroom accessories, tiles and adhesives. His previous experience includes holding senior financial positions at JCB, the construction equipment manufacturer, and at IMI plc, the British-based engineering company. He is a Fellow of the Chartered Institute of Management Accountants and has a degree in Economics from Durham University.

COMMITTEES

In addition to the Polypipe Group plc Board, there are three Committees:

Audit Committee	Paul Dean (Chair), Moni Mannings and Mark Hammond
Nomination Committee	Ron Marsh (Chair), Paul Dean, Moni Mannings, Mark Hammond and David Hall
Remuneration Committee	Moni Mannings (Chair), Ron Marsh, Paul Dean and Mark Hammond

PAUL DEAN

Senior Independent Director

Committees: Audit, Nomination, Remuneration

Paul Dean was appointed to our Board of Directors on 28 March 2014 as an Independent Non-Executive Director and is Chair of the Audit Committee. Mr Dean was appointed Senior Independent Director on 27 May 2015. Mr Dean is also a Non-Executive Director and Audit Chair of Porvair plc, Focusrite plc and Wincanton plc. He is the Senior Independent Director at Porvair plc. Mr Dean was Group Finance Director of Ultra Electronics Holdings plc from 2009 to 2013. Previously he had the same role at Foseco Group from 2001 to 2008, including when it floated in 2005. Mr Dean has a Master of Arts in History from Oxford University.

MONI MANNINGS

Non-Executive Director

Committees: Audit, Nomination, Remuneration

Moni Mannings was appointed to our Board of Directors on 28 March 2014 as a Non-Executive Director and is Chair of the Remuneration Committee. Mrs Mannings was a senior partner of Olswang LLP until 31 March 2016 and had been a partner there since 2000. Previously she was also a Board Member of the Solicitors Regulation Authority and Chair of its Equality, Diversity and Inclusion Committee. Mrs Mannings currently holds the position of COO at Aistemos Limited and is also a Non-Executive member of the Boards of Investec Bank PLC and Cranfield University. Mrs Mannings has a Bachelor of Law from the University of Southampton.

MARK HAMMOND

Non-Executive Director

Committees: Audit, Nomination, Remuneration

Following listing, Mark Hammond was appointed as a Non-Executive Director of our Board of Directors. Mr Hammond is Deputy Managing Partner of Caird Capital LLP which is the adviser to Cavendish Square Partners LP. Mr Hammond joined HBOS plc in June 2003 and served as Head of Integrated Finance from 2006 until 2010. Prior to joining HBOS plc, Mr Hammond held roles with Gresham Trust plc, The Royal Bank of Scotland plc and PricewaterhouseCoopers LLP where he qualified with the Institute of Chartered Accountants of Scotland in 1991. Mr Hammond graduated with a Master of Arts in Economics and Accountancy from the University of Aberdeen in 1988. Mr Hammond has previously been a Director of The Big Green Parcel Holding Company Limited and David Lloyd Leisure Group Limited. Mr Hammond currently sits on the Board of Governors of Beechwood Park School, Markyate, Hertfordshire.

INTRODUCTION FROM THE CHAIRMAN

DEAR SHAREHOLDER

I am pleased to present the Company's Corporate Governance report for the year ended 31 December 2016, on behalf of the Board.

This year has seen a significant change to the Board with Martin Payne joining as Chief Financial Officer, replacing Peter Shepherd who retired following 10 years of service with the Company. I am delighted to say that the transition has been a smooth one and that Martin has settled into his role very well. I remain confident that we have a strong and diverse Board in place, with the necessary motivation, experience and skills to support the Company with any future challenges.

In the previous year we reported that an externally facilitated review of our Board's performance would be carried out during this year. This review has now taken place and I was pleased with the outcome, which concluded that the Board functions strongly and also provided some helpful areas of focus for the future. The outcome of the review is discussed in more detail on pages 44 to 45 of this report.

The terms of reference for each of the Board committees were reviewed and adjusted as necessary to improve their efficiency and reflect changes of legislation and best practice.

During the year the Board has placed much focus on the strategic development of the Group, in light of which presentations by the Group's financial advisors and brokers and the annual strategy day proved very valuable.

The following pages of this report and the Directors' Remuneration Report set out in greater detail how the principles and provisions of the UK Corporate Governance Code (April 2014) (the UK Code) have been applied and how the Board and its committees have fulfilled their responsibilities during the year to ensure that robust governance practices are embedded across the Group. The report also serves to provide insight into how the Board and management team run the business for the benefit of the shareholders. As always, we welcome questions or comments from shareholders either via our website www.polypipe.com or in person at the AGM.

Ron Marsh
Chairman
30 March 2017

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This report, which is also available on the Company's website, explains key features of the Company's governance structure to provide a greater understanding of how the main principles of the UK Code published in September 2014 by the Financial Reporting Council (FRC), have been applied and to areas of focus during the year. The UK Code can be found on the FRC's website at www.frc.org.uk.

In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that throughout the year ended 31 December 2016 and as at the date of this report, the Company has complied with the main principles of the UK Code. The FRC published an updated version of the UK Corporate Governance Code in September 2016. Whereas the 2016 version of the UK Code is effective for accounting periods commencing on or after 17 June 2016, the Company has adopted the new requirements early.

The report also includes items required by the Disclosure Guidance and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content and confirmed that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

HOW THE BOARD WORKS

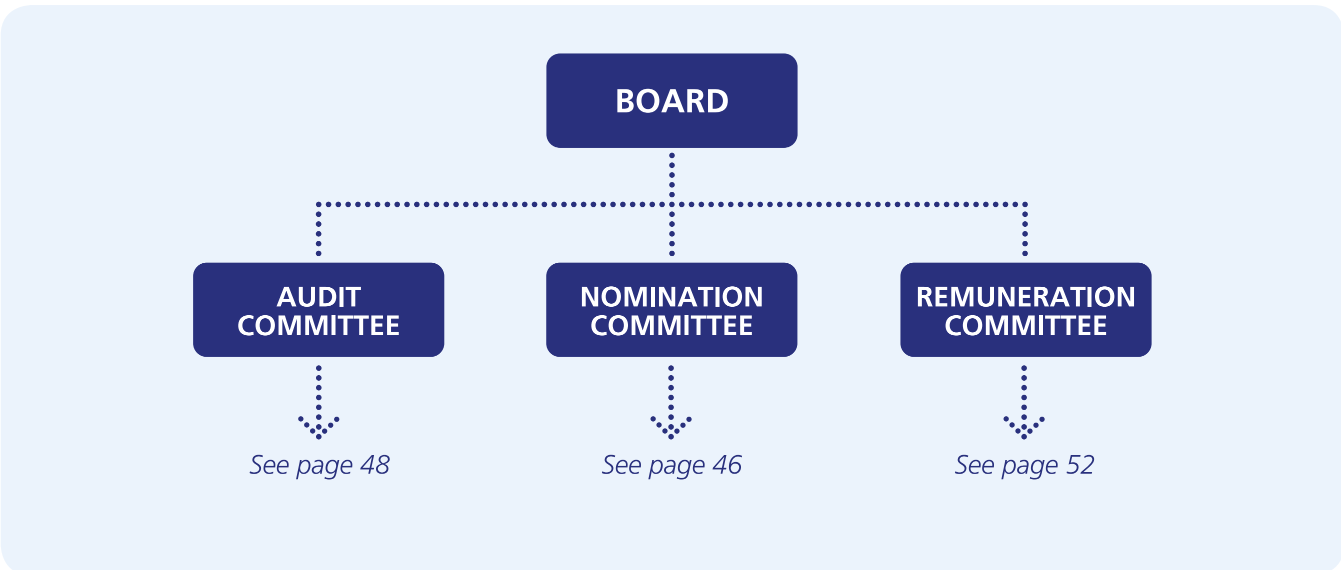
The Board and its Committees

The Board is responsible for the leadership and direction of the Group and is ultimately responsible to the Company's shareholders for the Group's long-term success. The Board takes the lead in areas such as strategy, financial policy and making sure we maintain a sound system of internal control. By delegating authority to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

The Board has established a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its principal committees: the Audit, Nomination and Remuneration Committees. These are clearly defined within the terms of reference of the respective committees. The schedule of matters reserved for the Board includes the consideration and approval of:

- Strategy and overall management and leadership of the Group;
- Financial items – including the Group's annual budget, dividend policy, annual and half yearly accounts, accounting policies, and monetary limits;
- Risk management system and internal controls;
- Contracts with third parties not in the ordinary course of business;
- Legal, administration and pension arrangements;
- The Group's corporate governance arrangements;
- The application of the Company's share options schemes as recommended by the Remuneration Committee;
- Directors' and officers' insurance coverage and the commencement or settlement of any litigation;
- Communications with shareholders and the issue of shareholder circulars;
- Board and senior management appointments and arrangements; and
- Authorising conflicts of interest where permitted by the Company's Articles of Association.

POLYPIPE'S GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE STATEMENT

The Board has also delegated to the Chief Executive Officer the responsibility for implementing the Group's business model and for the day-to-day operational management of the Group. The Chief Executive Officer is supported in carrying out his responsibilities by the Chief Financial Officer, and the senior management team.

The Board has direct access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Board may take independent professional advice in the furtherance of its duties if necessary, at the Company's expense.

Board Composition, Qualification and Experience

At the year end, the Board was made up of the independent Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. Biographical details of the individual Directors can be found on pages 38 to 39. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a wide range of skills and experience to the Board and all actively contribute in discussion.

In accordance with UK Code Provision B.1.1 the Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors. The Board considered that the Chairman and all the Non-Executive Directors were deemed to be independent throughout the period.

In accordance with UK Code Provision B.7.1, at the 2016 AGM, the Board is proposing that all of the Directors will be subject to annual re-election.

Role of the Chairman and Chief Executive

The roles and responsibilities of the Chairman and the Chief Executive are separate and clearly defined.

It is the Chairman's duty to provide overall leadership and governance of the Board. In performing this role, the Chairman sets the Board agenda, ensures that adequate time is available for discussion of all agenda items and promotes a culture of openness and debate at Board meetings. The Chairman is also responsible for ensuring that the Directors have an understanding of the views of major shareholders.

The Chief Executive is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the senior management team in effecting decisions of the Board and its Committees and is responsible for the maintenance and protection of the reputation of the Group. The Chief Executive is also responsible for promoting the conduct of the affairs of the Group with the highest standards of integrity, probity and corporate governance.

Interaction between the Chairman and the Chief Executive

As noted above, the role of Ron Marsh as the Chairman and David Hall as the Chief Executive Officer are separate with a distinct division of responsibilities. The partnership between both is based on mutual trust and facilitated by regular contact between them. The separation of authority enhances independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

Role of the Senior Independent Director

Paul Dean is the Senior Independent Director (SID) of the Company and is available to shareholders if they have concerns that cannot be addressed through normal channels. The role of the SID is to act as a sounding board for the Chairman and an intermediary for the other Directors when necessary. The SID is also available to chair the Board in the absence of the Chairman and has authority to add items to the agenda of any regular or special meeting of the Board of Directors. The role of the SID is considered to be an important check and balance in the Group's governance structure. During the year the SID met with institutional investors to discuss Corporate Governance matters.

Appointment and Tenure

The Non-Executive Directors serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to meet what is expected of them. There is no fixed expiry date and no notice period in their letters of appointment.

The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for the Executive Directors is twelve months.

Directors Induction and Training/ Professional Development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and ongoing development of all Directors. Martin Payne joined as a Director during the year and received a comprehensive induction, which included a thorough briefing on the Group's various policies including Health and Safety, visiting all major Group locations, a series of meetings with Polypipe senior management and employees, and meetings with the Group's external advisors. Martin joined the Company as Chief Financial Officer Designate prior to Peter Shepherd's departure, which ensured a seamless transfer of responsibilities from Peter to Martin.

As the internal and external business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. For this purpose the Board were provided with several presentations during the year, including presentations by the financial advisers, brokers and the Remuneration consultants of the Group and several presentations by senior management, in addition to the annual strategy day. During Board meetings held during the year the Company Secretary updated the Board members on new legislation and regulations, including the Market Abuse Regulation.

Directors' Conflicts of Interest

Each Director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and these procedures have operated effectively during the year.

All potential conflicts approved by the Board are recorded in an Interests Register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

Directors' Indemnity and Insurance

Details of the Directors' indemnity arrangements can be found on page 63 of the Directors' Report.

Internal Controls and Risk Management

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with section C.2.3 of the UK Code and confirms that:

- there is an on-going process for identifying, evaluating, and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- they are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The effectiveness of these systems is also reviewed through the work of the Audit Committee described on pages 49 to 51.

The key risks which the Board has focussed on this year together with their potential impact and mitigating actions are set out in the Risk Management Report on pages 30 to 33.

The Company has a Risk Management Framework which adopts a top down and a bottom up view of the key risks which involves both the downward cascade and upward escalation of risks between Group and the business units. It comprises a risk register template, a risk profile template and assessment guidelines to be used by both the Group and business units when considering risk. It also includes a detailed approach to formally recording and independently assessing Group level risks.

The Board has conducted a review of the effectiveness of the system of internal controls and risk management and is satisfied that it complies with Principle C.2.3 of the UK Code.

FINANCIAL AND BUSINESS REPORTING PROCESS

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company. In addition to the Annual Report and Accounts the Company also ensures that other price-sensitive reports and other information are published externally.

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports which is set out in the Report of the Audit Committee on pages 49 to 51.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the Polypipe Group businesses);
- formal sign-offs from appropriate business segment senior executives;
- comprehensive review and, where appropriate, challenge from appropriate Group senior executives and Executive Directors;
- a transparent process to ensure full disclosure of information to the external auditors;
- oversight by the Group's Audit Committee, involving (amongst other duties):
  - a detailed review of key financial reporting judgements which have been discussed by management;
  - review and, where appropriate, challenge on matters including:
    - the consistency of, and any changes to, significant accounting policies and practices during the year;
    - significant adjustments resulting from an external audit;
    - the viability statement assumptions; and
    - the going concern assumption.

The above process provides comfort to the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

CORPORATE GOVERNANCE STATEMENT

BOARD MEETINGS

The Board met regularly during the year, holding nine Board meetings and a number of other meetings and teleconferences to discuss and review progress on issues affecting the Group throughout the year. A number of Board Committee meetings were also held during the year. Details of attendance at Board and Committee meetings are shown in the table below.

	Board Attendance	Audit Committee Attendance	Nomination Committee Attendance	Remuneration Committee Attendance
Current Directors				
Ron Marsh	9 of 9	–	2 of 2	5 of 5
David Hall	9 of 9	–	2 of 2	–
Martin Payne*	6 of 6	–	–	–
Moni Mannings	9 of 9	3 of 3	2 of 2	5 of 5
Paul Dean	9 of 9	3 of 3	2 of 2	5 of 5
Mark Hammond	9 of 9	3 of 3	2 of 2	5 of 5
Past Director				
Peter Shepherd **	3 of 3	–	––	–

* Martin Payne served as Chief Financial Officer from 25 May 2016 to the end of the period.
** Peter Shepherd served as Chief Financial Officer from the beginning of the period until 25 May 2016.

As the above table demonstrates every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are nevertheless provided with the meeting papers and information relating to the meeting and are able to discuss the issues arising with the Chairman and other Directors.

Senior management from across the Group, and advisers, attend some of the meetings for discussion of specific items in greater depth.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board intends to visit at least one of the Group's business unit locations each year. Such visits allow the Board to gain a deeper understanding of local market dynamics and to assess management performance and potential. During the year, the Board visited the Group's operations in Genoa (Italy), Doncaster, Aylesford and Caerphilly. During these visits the Board members attended management presentations and/or tours of the factories and distribution centres.

In November 2016, the Board held its strategy day, where it spent a full day with senior management to discuss current performance of the Group and the Strategic Plan. Members of senior management presented to the Board the operational and financial performance of each business in detail and explained the growth prospects of each market segment in the UK and abroad.

Several Board dinners have been held ahead of scheduled Board meetings to provide a more relaxed forum than the formal meetings in which the Board members were able to have additional discussions which improves the focus of the formal Board meetings.

During the year the Chairman held one meeting with the Non-Executive Directors without the Executive Directors present, and the Non-Executive Directors met on one occasion without the Chairman being present to appraise the Chairman's performance as discussed below.

BOARD COMMITTEES

The Company currently operates three Board committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. The role and responsibilities of each Board Committee are set out in formal Terms of Reference. These Terms of Reference have been reviewed during the year and adjusted as necessary to improve the Committee's efficiency and to reflect changes of legislation and best practice. The updated Terms of Reference are available on the Company's website at www.polypipe.com.

The Board Committees make recommendations to the Board as they see fit.

BOARD EVALUATION AND EFFECTIVENESS

In accordance with UK Code Provision B.6.1. to B.6.3., the Board and its Committees underwent their external evaluation conducted by Auxesis Consulting Limited (Auxesis). Auxesis has no connection with the Company. The evaluation consisted of a tailored, high level questionnaire for the Director's completion and one to one discussions with each of the Board members. The questionnaire was structured to provide Directors with an opportunity to express their views about:

1. Board structure and functionality;
2. Board meetings and contents;
3. Board administration and governance;
4. Interactions with management;
5. Committee structure, functionality and meetings; and
6. Personal effectiveness and overall Board effectiveness.

A report on the findings of the performance evaluation was prepared by Auxesis and presented by them to the Board in November 2016. The results of the evaluation indicated that the Board is rated effective to highly effective by its members and that the Directors view the Board as a whole as focussed with positive working relationships. Notwithstanding the above, the Directors recognised the need to continuously improve and develop their contributions. Going forward the following actions were agreed as a result of the exercise and these will be progressed over the coming year. These included:

- That the Board be provided with additional opportunities to focus on the Group's strategy;
- That the Non-Executive Directors would explore opportunities to further grow their understanding of the business and to increase contact with senior management;
- That succession planning of the Non-Executive Directors should be on the agenda for the coming years; and
- That the Board should consider improving efficiency by adopting electronic Board papers. This has been implemented with effect from December 2016.

In addition, the Chairman discussed with each Director their performance and their training needs and the Senior Independent Director led the assessment of the Chairman's leadership.

As a result of these individual reviews, it is considered that the performance of each of the Directors continues to be effective and that each Director demonstrates sufficient commitment to his or her role. It was acknowledged that the objective of the Board in supporting the senior management team to improve the performance of the Group and promote the interests of the shareholders and stakeholders had been achieved and would continue to constructively challenge the senior management team. Consequently, the Chairman can confirm that each Director is suitable for re-election at the forthcoming AGM.

SHAREHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chief Financial Officer. The Chief Financial Officer in conjunction with the Corporate Broker ensures that there is effective communication with shareholders on matters such as governance and strategy and maintains an active dialogue with investors through a planned programme of investor relations activities. As part of the investor relations programme, formal meetings with investors are scheduled to discuss the Group's interim and final results. In the intervening periods, the Company continues its dialogue with the investor community by meeting key investor representatives and holding investor roadshows.

During the reporting period, the top 20 shareholders of the Group were invited to meet with the Senior Independent Director and the Chair of the Remuneration Committee to ensure that the Board was aware of shareholder issues and concerns and to ensure that a satisfactory dialogue took place. Meetings were held with those shareholders who accepted the invitation and no concerns were raised.

The Chairman, the Senior Independent Director and the other Directors are available to engage in dialogue with major shareholders as appropriate. Board members develop an understanding of the views of major shareholders through analysts' and brokers' briefings and any direct contact initiated by shareholders. The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of shareholders and to communicate with them on matters including governance, strategy and performance.

ANNUAL GENERAL MEETING

The Company's AGM is to be held on 24 May 2017 at the Holiday Inn, High Road, Doncaster, DN4 9UX. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website at www.polypipe.com.

The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chairman of each of the Committees will be available to answer shareholders' questions at the AGM.

The notice of AGM will be sent out to shareholders at least 20 working days before the meeting. Results will be announced to the London Stock Exchange via an RNS announcement and published on the Company's website.

RE-ELECTION OF DIRECTORS

At the AGM, all Directors will retire and submit themselves for re-election. As a result of the Board evaluation exercise, as Chairman I am satisfied that each Director continues to show the necessary level of commitment to the Group and has sufficient time available to fulfil his or her duties, to justify their re-election.

Approved by the Board and signed on its behalf.

Ron Marsh
Chairman
30 March 2017

Polypipe

INTRODUCTION FROM THE CHAIR OF THE NOMINATION COMMITTEE

DEAR SHAREHOLDER

I am delighted to present the report of the Nomination Committee for 2016. Since the appointment of Martin Payne as CFO at the 2016 AGM, there have been no further changes within the Board during the course of the year which has enabled the Committee to focus on its ongoing responsibilities. A more comprehensive description of the activities of the Committee during the year is provided in the following report. I will be available at the AGM to answer any questions about the work of the Committee.

Ron Marsh
Chair of the Nomination Committee
30 March 2017

COMMITTEE MEMBERSHIP AND MEETINGS

Throughout the year the Committee has comprised Ron Marsh (the Chairman), all of the Non-Executive Directors, being Moni Mannings, Paul Dean and Mark Hammond and David Hall (the Chief Executive Officer). Accordingly, there were five members. The Committee is chaired by the Board Chairman except when considering his own re-election.

In accordance with UK Code Provision B2.1. the majority of the members were independent. There have been no changes in the membership of the Committee during the year or since the year end.

The members of the Committee and details of their attendance at Committee meetings are set out on page 44. Biographies of each member are shown on pages 38 to 39. Under the Committee's Terms of Reference the Committee will normally meet not less than twice a year and at such other times as the Chairman shall require. The Committee held two scheduled formal meetings during the year under review. After each Committee meeting, the Chairman reports to the Board on the main items discussed.

ROLE OF THE COMMITTEE

The Nomination Committee's main responsibilities are to evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and the Committees; to give full consideration to succession planning of Directors and other senior executives and to assist with the selection process of new Executive and Non-Executive Directors including the Chairman. The Committee's Terms of Reference were reviewed and updated during the year and explain the Committee's role and responsibilities. The Terms of Reference can be found on the Company's website at http://investors.polypipe.com/corporate-governance/board-committees. The Company Secretary acts as Secretary to the Committee.

In accordance with its terms of reference, the Nomination Committee is required to:

- Review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- Consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board;
- Review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- Identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Review the time commitment required from Non-Executive Directors; and
- Review the results of the Board performance evaluation process that relates to the composition of the Board.

GOVERNANCE

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on pages 44 to 45. At its meeting in December 2016, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to operate effectively and provide robust challenge to the business.

MAIN ACTIVITIES DURING THE YEAR

During the year under review the appointment of Martin Payne as Chief Financial Officer was finalised. Full details of the recruitment process were included on page 49 of the 2015 Annual Report and Accounts. The Nomination Committee also carried out its duties as listed above and has given particular focus to succession planning for both the Board members as well as senior executives as discussed below. As stated in the Corporate Governance Report, all of the Company's Directors will retire and each will offer themselves for re-election at the forthcoming AGM in accordance with UK Code Provision B.7.1. In proposing their re-election, the Chairman confirms that the Nominations Committee has considered the formal performance evaluation in respect of those Directors seeking re-election and the contribution and commitment of the Directors that are required to offer themselves for re-election. The Chairman has confirmed to the Board that their

REPORT OF THE NOMINATION COMMITTEE

performance and commitment is such that the Company should support their re-election.

No Director was able to vote in respect of their own re-election when consideration was given to Director re-election at the AGM.

Information on the Directors' service agreements, shareholdings and share options of the Company is set out in the Directors' Remuneration Report on pages 53 to 61.

SUCCESSION PLANNING

A key activity of the Committee is to keep under review the Company's succession plans for members of the Board and senior managers over the short, medium and long-term to ensure the Board and senior management remains appropriately balanced between new and innovative thinking and longer term stability. Management training is provided to senior and middle management where appropriate in order to develop internal talent for the future.

In addition, the Committee has considered emergency succession planning and is comfortable that a framework is in place should key management roles need to be covered on an interim basis.

Board appointment criteria are considered automatically as part of the Committee's approval on succession planning. The Committee believes that limited tenure of the Chairman and Non-Executive Directors and their subsequent enforced retirement as Directors is not always appropriate, and matters of Director tenure are viewed on a case by case basis. However, currently all the Non-Executive Directors and the Chairman have been appointed for less than six years as identified in Provision B.2.3 of the UK Code.

The Committee supports diversity, acknowledging the advantages that come from having diverse viewpoints and the influence in decision making. It is the aim of the Committee to always consider the benefits that arise from a diverse Board when making Board appointments. The Committee does not judge it appropriate to introduce a quota system to enhance diversity in all of its forms to the Board. The Company's recruitment and appointment strategy is based on the merits of the candidates. Currently one of the six Directors is female.

Details of diversity within our workforce, including at Board and Executive management level can be found in our Corporate Responsibility Statement on page 34.

TENURE OF NON-EXECUTIVE DIRECTORS

Appointments to the Board are typically made for an initial term of three years and are ordinarily limited to three consecutive terms in office subject to annual re-election by the shareholders at the AGM.

NOMINATION COMMITTEE PRIORITIES FOR 2017

During the forthcoming year the Committee will be focusing on the succession planning of the senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed by the business. The Committee will also consider the succession planning of Non-Executive Directors so that replacements, which will be required in the longer term, can be phased over a suitable period. The Committee plans to make diversity an area of focus in 2017, bearing in mind the recommendations from the Hampton-Alexander Review on FTSE Women Leaders and the Parker review on Diversity of Boards, and will report on this in due course.

By order of the Board.

Ron Marsh
Chair of the Nomination Committee
30 March 2017

INTRODUCTION FROM THE CHAIR OF THE AUDIT COMMITTEE

DEAR SHAREHOLDER

I am pleased to present the Report of the Audit Committee for 2016.

The Committee is appointed by the Board from its Non-Executive Directors. Our Committee has continued to focus on the integrity of Polypipe's financial reporting, risk management and internal controls, and the quality of the internal and external audit processes. We will continue to keep our activities under review to ensure that we comply with any changes in the regulatory environment.

The Board has asked the Committee to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

As a result of its work undertaken during the year and taking into account the result of the performance evaluation (further details are set out on pages 44 to 45), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors.

Finally, in my role as Chair of the Audit Committee, I would like to welcome Martin Payne, the new Chief Financial Officer, to the Board, and thank both him and his predecessor, Peter Shepherd, for ensuring the handover was smooth and successful.

I will be available at the AGM to answer any questions about the work of the Committee.

Paul Dean
Chair of the Audit Committee
30 March 2017

REPORT OF THE AUDIT COMMITTEE

ROLE AND RESPONSIBILITIES

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website at http://ir.polypipe.com. The Terms of Reference have been reviewed and updated during the year to be in line with the Financial Reporting Council (FRC) Guidance on Audit Committees which was published in April 2016.

The key responsibilities of the Committee are to:

- Assist the Board with the discharge of its responsibilities in relation to internal and external audits;
- Monitor and review the Group's internal control and risk management systems;
- Monitor and review the effectiveness of the Group's internal audit function;
- Monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, trading updates, preliminary results announcements and any other formal announcements relating to its financial performance, and reviewing significant financial reporting issues and judgements;
- Where requested by the Board, review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- Oversee the relationship with the external auditor including the approval of the remuneration and the terms of engagement;
- Monitor and review the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Consider the scope of the annual audit and the extent of the non-audit services performed by the external auditor and agree the fee;
- Develop and implement the policy on the engagement of the external auditor to supply non-audit services taking into account relevant ethical guidance; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Group's external auditor; and
- Report to the Board on how it has discharged its responsibilities.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee is appointed by the Board and comprises three Non-Executive Directors, being Moni Mannings, Mark Hammond and Paul Dean. All Committee members are considered independent.

In accordance with the requirements of Provision C.3.1. of the UK Code, Paul Dean is designated as the Committee member with recent and relevant financial experience. All other members of the Committee are deemed to have the necessary ability and experience to understand the financial statements. The Committee as a whole has competence relevant to the sector in which the Group operates.

The Committee discharges its responsibilities through a series of scheduled formal meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings are the Committee members as well as, by invitation, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, and the external auditor, Ernst & Young LLP. The Company Secretary is also Secretary to the Audit Committee.

REPORT OF THE AUDIT COMMITTEE

The Committee held three formal meetings during the year. In line with best practice, the Committee twice met with the Ernst & Young LLP lead audit partner without management being present.

GOVERNANCE

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on pages 44 to 45. At its meeting in November 2016, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to operate effectively and provide robust challenge to the business.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

As part of the process of working with the Board to carry out its responsibilities and to maximise effectiveness, meetings of the Committee normally take place prior to the Board meetings, at which the Chair of the Committee provides an update to the Board.

At these meetings the Committee focussed on the following areas:

Financial reporting

During the year, Audit Committee meetings were held prior to the Board meetings to approve the Group's interim and annual financial statement announcements and to consider the financial reporting judgements made by management. These considerations are made through review of the accounting papers and financial reports prepared by management and reports prepared by the Group's external auditor.

The Committee also reported to the Board that it considered that, taken as a whole, the 2016 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

Significant financial reporting risk and judgements

The significant risk reviewed by the Committee in respect of the year under review was as follows:

- **Customer rebates and revenue recognition** – The Committee considered the operating effectiveness of controls surrounding revenue recognition and management's subjective assessment and recognition of customer rebate liabilities at the interim and year end;

The significant judgements reviewed by the Committee in respect of the year under review were as follows:

- **Goodwill impairment** – The Committee considered a detailed report prepared by management setting out the assumptions used in determining whether goodwill required impairment for any of the business units. This included a review of the discount rate and growth factors used to calculate the discounted projected future cash flows, the sensitivity analysis applied, and the discounted projected future cash flows used to support the carrying amount of the goodwill;
- **Property, plant and equipment impairment** – The Committee considered a report prepared by management setting out the events and changes in circumstances which indicated that the carrying amount of one of the Group's surplus properties may not now be fully recoverable, and the resulting charge from writing it down to its now estimated recoverable amount; and
- **Inventory provision** – The Committee reviewed the carrying amount of the Group's finished goods inventory and management's assessment and recognition of the appropriate level of provisioning against slow moving and obsolete items.

Internal control, internal audit and risk management

The Committee has reviewed and approved the scope of the rolling internal audit work programme in relation to the Group's internal controls and procedures at each of the three meetings held during the year.

The Committee reviews and challenges the results and reports from the internal audit work programme and the adequacy of management's responses and resolution.

The Group's risk assessment process, including how significant financial risks are managed and mitigated, is a key area of focus for the Committee. In 2015, the Committee monitored and reviewed the Group's risk management development which included a review of the results of Polypipe Group's self-assessment against the FRC Guidance relating to Risk Management and the results of an external review by Ernst & Young LLP who carried out the FPP review as part of the IPO process. During the year under review, the Committee monitored and reviewed the Group's now established risk management framework and the results of testing performed by the Group's internal audit function on specific elements of that framework. There were no significant internal control failings or weaknesses during the year.

Other activities

Other activities undertaken by the Committee during the year included the following:

- Oversaw the handover process from the previous to the current Chief Financial Officer;
- Considered the external audit plan and agreed the audit fee;
- Considered the viability statement and going concern assumption;
- Reviewed the insurance policies in place to protect the Group;
- Reviewed the Committee's performance, effectiveness and constitution; and
- Recommended the Audit Committee Report for approval by the Board.

EXTERNAL AUDIT

Appointment

The Committee carefully considers the reappointment of the external auditor each year prior to making their recommendation to the shareholders. As part of this process, the Committee considers the independence of the external auditor, the effectiveness of the external audit process, its remuneration, and the terms of engagement. Having reviewed the performance of Ernst & Young LLP in 2016, the Committee has decided to recommend to the Board that Ernst & Young LLP should be reappointed for the 2017 audit and a resolution to this effect will be put to the 2017 AGM.

In accordance with current professional standards, the external auditor is required to change the lead audit partner every five years in order to protect auditor independence and objectivity. Ernst & Young LLP were awarded the external audit in 2012 following a competitive tendering process and Stuart Watson has been the lead audit partner since that date. Accordingly, a rotation of the lead audit partner is required in 2017. In accordance with the UK Code, Competition and Markets Authority (CMA) Order and EU Audit Directive, it is the Group's intention to put the audit out to tender at least every ten years. Accordingly, the Company plans to run a competitive tender process in or before 2022 and will therefore comply with the CMA Order.

Independence

The independence of the external auditor has been confirmed by Ernst & Young LLP in November 2016 and March 2017 at the Audit Committee meetings. The Committee considered Ernst & Young LLP's presentation on auditor independence, and the recent changes to auditor independence requirements, and confirmed that it considered the auditor to be independent.

Non-audit services

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the Financial Reporting Council. This further increases auditor objectivity and independence. Any significant non-audit services will be awarded via a competitive tender process. There were no exceptions to this policy during 2016.

Effectiveness of the external audit process

The Committee operates a formal process for reviewing the effectiveness of Ernst & Young LLP during the year under review. This process included the following:

- An assessment of the lead audit partner and the audit team;
- A review of the audit approach, scope, determination of significant risk areas and materiality;
- The execution of the audit;
- Interaction with management and communication with, and support to, the Committee;
- The quality of any recommendation points; and
- A review of independence, objectivity and scepticism.

After considering the above matters, the Committee considered that the audit had been effective and recommended to the Board that Ernst & Young LLP be reappointed as external auditor to the Group.

FRAUD, WHISTLE-BLOWING AND THE BRIBERY ACT

The Committee monitors any reported incidents under its whistle-blowing policy, which has been reviewed during the year. This policy is included in the Employee Handbook and sets out the procedure for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- Something that could be unlawful;
- A miscarriage of justice;
- A danger to the health and safety of any individual;
- Damage to the environment; or
- Improper conduct.

There were no concerns raised up to Group level which required the attention of the Committee during the year.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Group Finance Manual sets out the procedures to which employees must adhere and is aimed at reducing the risk of fraud from occurring. The Group is committed to a zero-tolerance position with regard to bribery. Those employees which the Group considers more likely to be exposed to potential breaches of its Group policy and statutory obligations under the UK Bribery Act have been provided with relevant guidance on compliance with their obligations. The Group maintains a record of all employees who have received this guidance and requests annual confirmations from each individual stating that they have complied with the Group's Anti-Bribery policy.

By order of the Board.

Paul Dean
Chair of the Audit Committee
30 March 2017

INTRODUCTION FROM THE CHAIR OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER

I am pleased to present our Remuneration Report for 2016. This report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the UK Listing Authority Listing Rules and consistent with the UK Code.

No changes will be made this year to the Policy Report which was approved by shareholders at our 2015 AGM and which can be found in our 2014 Annual Report and Accounts (available in the Investors section of our website).

The most substantive issues considered by the Remuneration Committee (the Committee) during the past year are set out below.

REWARDING 2016 PERFORMANCE

The financial and operating performance of Polypipe in 2016 is set out on pages 74 to 108.

Based on the Company's strong financial performance during the year and fulfilment of individual objectives, the Committee determined that David Hall, Chief Executive Officer (CEO), earned 69.4% of his maximum potential annual bonus in respect of 2016 performance, and both Martin Payne, Chief Financial Officer (CFO), and Peter Shepherd, former CFO, earned 74.4% of the maximum potential annual bonus in respect of 2016 performance pro-rated to reflect the amount of time served during the year.

RETIREMENT OF PETER SHEPHERD

As a Committee, we recognise our responsibility to ensure that pay decisions relating to departing Directors are determined fairly both for shareholders and for the departing individuals. During 2016, our former CFO, Peter Shepherd, retired after 10 years' service to Polypipe. Peter received no further payments following cessation of employment other than a time pro-rated annual bonus for 2016 based on Polypipe's full-year performance. His outstanding deferred share bonus awards vested upon cessation of employment in accordance with our standard policy for good leavers, and were settled in cash.

APPOINTMENT OF MARTIN PAYNE

The Committee approved the pay arrangements for the new CFO, Martin Payne in line with our Policy Report. Full details of those arrangements are on pages 55 to 57.

LTIP AWARDS

During 2016, the Committee approved the first LTIP award to Executive Directors since Admission. Award levels were 125% of annual salary to David Hall and 88% of annual salary to Martin Payne (time pro-rated downwards from 100% of annual salary to reflect that he will be employed for only part of the three-year period to which they relate). These award levels are significantly below the maximum permitted in our Policy Report (200% of annual salary).

The Committee considered a number of possible performance measures and concluded that a combination of stretching EPS growth targets and a relative Total Shareholder Return (TSR) measure provided an appropriate basis for rewarding the successful delivery of longer term strategic priorities, Company growth and shareholder value.

PAY DECISIONS FOR 2017

The pay structure for our current Executive Directors for 2017 is outlined on pages 53 to 61. Key decisions made by the Committee in relation to 2017 include:

- The award of a 2.5% annual salary increase for Executive Directors. This is consistent with the average increase awarded to the Polypipe UK workforce for 2017.
- No changes to the performance measures to be used to assess Company performance in 2017. The Group Underlying Operating Profit and Working Capital financial measures which determine 90% of the bonus and the Underlying diluted EPS and relative TSR measures which determine 100% of the LTIP provide alignment with the priorities outlined in the Strategic Report and alignment with our shareholders' interests. The Committee believes that this combination of measures provides a fair and rounded assessment of short-term and longer term Company performance.

SHAREHOLDER ENGAGEMENT

We take a keen interest in our shareholders' views on executive remuneration and welcome any feedback on the Remuneration Report.

This Remuneration Report will be subject to an advisory vote at the 2017 AGM.

I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolution relating to remuneration at the AGM.

Moni Mannings
Chair of the Remuneration Committee
30 March 2017

ANNUAL REPORT ON REMUNERATION

UNAUDITED INFORMATION
IMPLEMENTATION OF REMUNERATION POLICY IN 2017

This section provides an overview of how the Committee is proposing to implement our remuneration policy in 2017 for the Executive Directors.

Base annual salary

As described in the Statement from the Chair of the Remuneration Committee, a standard annual salary review has been carried out by the Committee. The Committee approved a 2.5% increase in Executive Director salaries effective from 1 January 2017. This increase is consistent with the average annual salary increase awarded to the Company's UK workforce for 2017.

	Salary 1 January 2016	**Salary 1 January 2017**	% increase
David Hall (CEO)	£446,516	**£457,679**	2.5%
Martin Payne (CFO)	£285,000 (upon appointment in May 2016)	**£292,125**	2.5%

Pension

Policy maximum: 20% of annual salary.

In 2017, the Executive Directors will receive a Company contribution worth 20% of annual salary to the Group Pension Plan, a personal pension scheme, or as a cash allowance.

Other benefits

In 2017, the Executive Directors will receive a standard package of other benefits consistent with those received in 2016.

Annual bonus

Policy maximum: 125% of annual salary.

The annual bonus plan for 2017 will be broadly consistent with the bonus plan operated in 2016. Key features of the plan for 2017 are:

- There will be a maximum bonus opportunity of 125% of annual salary for David Hall and 100% of annual salary for Martin Payne.
- 25% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan (DSBP). These shares will be released half after two years post grant and half after three years post grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual or if evidence emerges of a material health and safety breach, then the Committee has the flexibility to withhold the value of shares granted under the DSBP and/or to require repayment of an appropriate portion of the annual bonus cash award in respect of the relevant bonus year.

The annual bonus for 2017 for Executive Directors will be determined as detailed below:

As a percentage of maximum bonus opportunity Performance measure	CEO	CFO
Group Underlying Operating Profit	70%	70%
Working Capital	20%	20%
Individual objectives	10%	10%

The targets for these performance measures in relation to the financial year 2017 are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report to the extent that they do not remain commercially sensitive at that time.

ANNUAL REPORT ON REMUNERATION

LTIP

Policy maximum: 200% of annual salary.

The Executive Directors will receive an award under the LTIP during 2017. Key terms of this award will be:

- David Hall will receive an award over shares worth 125% of annual salary at grant and Martin Payne will receive an award over shares worth 100% of annual salary at grant.
- Awards will become exercisable three years after grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in too high a level of vesting under the LTIP or if evidence comes to light of material misconduct by an individual or if evidence emerges of a material health and safety breach, then the Committee has the flexibility to withhold or recover the value of shares granted under the LTIP.
- Awards will be subject to a combination of underlying diluted EPS and relative TSR performance measures assessed over a three-year period as detailed below:

Underlying diluted EPS performance condition (75% of award)

	Three-year cumulative underlying diluted EPS	% of overall award vesting
Below threshold	<82.8 pence per share	0%
Threshold	82.8 pence per share	18.75%
Maximum	94.5 pence per share	75%

Threshold three-year cumulative underlying diluted EPS is calculated using a 5% per annum growth on 2016 underlying diluted EPS. Maximum three-year cumulative underlying diluted EPS is calculated using a 12% per annum growth on 2016 underlying diluted EPS. Vesting for performance between Threshold and Maximum will be calculated pro-rata on a straight-line basis.

TSR performance condition (25% of award)

Ranking in TSR comparator group	% of overall award vesting
Below median	0%
Median	6.25%
Upper quartile	25%

Comparator group comprises companies in the FTSE 250 Index that are classified as Industrials by the Industry Classification Benchmark. Vesting for performance between Median and Upper quartile will be calculated pro-rata on a straight-line basis.

Sharesave Plan

Invitations to UK employees (including Executive Directors) to participate in the Sharesave Plan were issued in 2014 and 2016. The Board will, in due course, consider the appropriate timing for the next invitation to participate in the Sharesave Plan.

Non-Executive Director remuneration

During the year, Non-Executive Director fees were reviewed for the first time since the Company's Admission in 2014. Following this review, the table below shows the revised fee structure for Non-Executive Directors for 2017. Non-Executive fees are determined by the full Board except for the fee for the Chairman of the Board, which is determined by the Committee.

	2017 fees
Chairman of the Board all-inclusive fee	£140,000
Basic Non-Executive fee	£45,000
Senior Independent Director additional fee	£10,000
Chair of Audit Committee additional fee	£8,000
Chair of Remuneration Committee additional fee	£8,000

AUDITED INFORMATION

The information provided in this section of the Remuneration Report up until the 'Unaudited information' heading on page 60 is subject to audit.

SINGLE TOTAL FIGURE OF REMUNERATION

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for 2016 with comparative figures for 2015.

	2016						2015				
All figures shown in £'000	**Salary and fees[1]**	**Benefits[2]**	**Annual bonus[3]**	**Pension[4]**	**Other[5]**	**Total**	Salary and fees[1]	Benefits[2]	Annual bonus[3]	Pension[4]	Total
Executive Directors											
David Hall	**447**	**24**	**388**	**89**	**–**	**948**	436	24	372	87	919
Martin Payne [6]	**179**	**8**	**134**	**36**	**312**	**669**	–	–	–	–	–
Peter Shepherd [7]	**126**	**7**	**94**	**25**	**–**	**252**	282	17	192	56	547
Non-Executive Directors											
Ron Marsh [8]	**130**	**–**	**–**	**–**	**–**	**130**	98	–	–	–	98
Paul Dean [9]	**60**	**–**	**–**	**–**	**–**	**60**	56	–	–	–	56
Moni Mannings	**50**	**–**	**–**	**–**	**–**	**50**	50	–	–	–	50
Mark Hammond	**42**	**–**	**–**	**–**	**–**	**42**	42	–	–	–	42
Alan Thomson [8]	**–**	**–**	**–**	**–**	**–**	**–**	53	–	–	–	53

Notes to the table – methodology

(1) Salary and fees – Executive Director salaries were increased by 2.5% effective 1 January 2016 consistent with the average increases awarded to the Company's UK workforce. Martin Payne's annual salary was set at £285,000 per annum upon appointment in May 2016. The structure of Non-Executive Director fees was unchanged in 2016 compared to 2015.

(2) Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, fuel allowance, private family medical insurance and life assurance of four times annual salary.

(3) Annual bonus – the bonus is paid 75% in cash and 25% deferred into shares under the DSBP. Further details on the 2016 annual bonus are set out on page 57.

(4) Pension – pension provision is 20% of annual salary.

(5) Other – this column comprises:

(i) £307,060 being the value of shares awarded to Martin Payne in partial compensation for bonus and long-term incentive awards forfeited when he left his previous employer Norcros plc. Although some of these shares do not vest in 2016, their full value is included in this year's single figure table for compliance with legislation. The shares have been valued at the share price when the award was granted of £3.226 per share. Full details of these shares are set out below.

(ii) £4,919 being the value of the grant of options to Martin Payne under the Sharesave Plan during 2016. The grant has been valued at 21.8% of the face value of shares under option, which is the IFRS 2 valuation for this award.

(6) Martin Payne joined the Company on 16 May 2016 and was appointed to the Board on 25 May 2016.

(7) Peter Shepherd stepped down from the Board on 25 May 2016 and retired from the Company on 3 June 2016.

(8) Alan Thomson retired following the AGM in May 2015 and was replaced as Chairman by Ron Marsh.

(9) Paul Dean was appointed as the Senior Independent Director with effect from the AGM in May 2015.

ADDITIONAL DISCLOSURES IN RESPECT OF THE SINGLE FIGURE TABLE

New CFO's pay arrangements

Martin Payne commenced employment with the Company on 16 May 2016 and was appointed to the Board on 25 May 2016. His pay arrangements upon appointment were in line with our Policy and comprised:

- Annual salary of £285,000.
- Pension contribution worth 20% of annual salary plus a standard benefits package.
- Eligibility to participate in the annual bonus plan. In 2016, Martin Payne had a maximum bonus potential of 100% of annual salary time pro-rated to reflect the proportion of the year that he was employed by Polypipe.
- Annual LTIP awards. The current policy is that Martin Payne will receive an annual LTIP award of shares worth 100% of annual salary. His first LTIP award was granted in May 2016 shortly after he commenced employment with Polypipe and was time pro-rated to reflect the fact that he will be employed for only part of the three-year period to which the award relates.
- 12-month notice period.

ANNUAL REPORT ON REMUNERATION

In addition, certain buy-out arrangements (set out below) were agreed to partially compensate Martin Payne for bonus and long-term incentive awards that were forfeited when he left his previous employer Norcros plc. The buy-out arrangements have been structured in accordance with the principles set out in our Policy Report, in particular that they should be of comparable commercial value to the incentives that have been forfeited.

		Value of buy-out award (at grant)	Form of buy-out award
Compensation for forfeited annual bonus	Relates to the annual bonus Martin Payne would have received from his previous employer Norcros plc in relation to the year of his departure (year ended 31 March 2016) if he had not joined Polypipe.	£67,417 *	To provide alignment with shareholders, the buy-out award has been granted wholly in the form of Polypipe shares. These shares will vest on the dates set out below subject to continued employment but no further performance conditions as the number of shares has been calculated based on an assessment of the anticipated performance outturn at Norcros plc. Number of Shares / Date of Vesting: 10,449 * – May 2018 10,449 * – May 2019
Compensation for forfeited long-term incentives	Relates to long-term Norcros plc share awards due to vest in 2016 and 2017 that were forfeited by Martin Payne on joining Polypipe. No compensatory award was granted in respect of forfeited long-term awards due to vest in 2018.	£239,643 This is an estimated equivalent value to the forfeited 2016 and 2017 long-term awards taking into account all relevant factors including time elapsed and performance to date.	The buy-out award will vest on the same dates that the original Norcros plc awards would have vested, subject to continued employment but no further performance conditions as the number of shares has been calculated based on an assessment of the anticipated performance outturn at Norcros plc. Number of Shares / Date of Vesting: 50,601 – September 2016 23,684 – July 2017

* The original buy-out award disclosed in our Stock Exchange announcement of 31 May 2016 was over 49,800 shares which was an estimate of the value of the bonus that would be forfeited by Martin Payne. Following his appointment at Polypipe, Martin Payne received a cash bonus from Norcros plc in relation to the year of his departure although he still forfeited a deferred share bonus. The original buy-out award was accordingly reduced to 20,898 shares to reflect the value of the cash bonus that was received from Norcros plc.

All of these non-pensionable share awards were granted under a deed in accordance with Listing Rule 9.4.2R (2) of the Listing Rules in order to facilitate the recruitment of Martin Payne as permitted by the 'Approach to Recruitment Remuneration' section of our Policy Report. Other significant terms of these awards are as follows:

- Awards were granted as nil cost options exercisable from their respective vesting dates until the tenth anniversary of grant. At its discretion, the Committee may permit settlement in cash.
- The number of shares was calculated using the share price of £3.226 per share being the average closing share price for 25-27 May 2016 (the three dealing days prior to grant). The value of the shares in the above table is based on this share price.
- With the exception of shares vesting in September 2016, the number of shares under award will be increased to reflect dividends with a record date between the date Martin Payne commenced employment with the Company and the vesting date. The value of the dividends will be determined as if they had been reinvested into Company shares on such terms as the Committee will determine.
- In such circumstances as the Committee determines appropriate, including if a material misstatement of Norcros plc's audited financial results (in relation to which a buy-out award is being granted) subsequently comes to light or if evidence comes to light of material misconduct by the individual, then the Committee has the flexibility to withhold the buy-out awards.
- Awards will be satisfied by existing shares other than treasury shares.

- Ordinarily unvested buy-out awards would lapse on cessation of employment. However, if Martin Payne ceases to hold office or employment in good leaver circumstances including death, ill-health, injury or disability or any other reason at the Committee's discretion (except in circumstances justifying summary dismissal), unvested awards would become exercisable on a time pro-rated basis (unless the Committee determines otherwise) either at the original vesting date or the date of cessation of employment at the Committee's discretion.
- In the event of a change of control (other than an internal reorganisation of the Polypipe Group), unvested awards would become exercisable on a time pro-rated basis (unless the Committee determines otherwise).
- The Committee may allow some or all of the award to vest (or adjust the number of shares subject to the award) in the event of demerger, delisting, special dividend or other event which, in their opinion, would affect the current or future value of the award. The number of shares subject to the award may also be adjusted in the event of any variation of share capital.
- No further awards will be made under the arrangement and no amendments will be made to the advantage of Martin Payne in relation to (i) the basis for determining his entitlement to, and the terms of, shares to be provided under the award; and (ii) any adjustment that may be made for any variation of share capital or special dividend without prior shareholder approval in general meeting except for minor amendments to benefit the administration of the award, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.
- The award is personal to Martin Payne and cannot be transferred, assigned or otherwise disposed of by him (other than to his personal representative following his death).

Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2016 was 125% of annual salary for David Hall and 100% of annual salary for both Martin Payne and Peter Shepherd (time pro-rated in both cases to their proportion of the year that they were employed by Polypipe).

For David Hall and Martin Payne, 75% of the bonus earned will be paid in cash and 25% will be deferred into shares under the DSBP. These shares will be released half after two years post grant and half after three years post grant. For Peter Shepherd, the bonus will be paid wholly in cash. Malus and clawback provisions apply to the bonuses of all of the aforementioned Directors.

Performance measures and targets applying to the 2016 annual bonus are set out below:

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable
Group Underlying Operating Profit	70%	£63.4m 17.5% of total bonus payable	£66.7m 35% of total bonus payable	£76.7m 70% of total bonus payable	£69.4m	44.4%
Working Capital	20%	Net working capital position assessed at the end of each month relative to target. Monthly targets range from (£4.0m) to £31.9m due to seasonality. Maximum performance requires the monthly target to be met at the end of all 12 months.			Target achieved in all 12 months	20.0%
Individual objectives	10%	David Hall: objectives linked to operational performance and succession planning.			Partially achieved	5.0%
		Martin Payne: objectives linked to satisfactory handover from previous CFO and management of year end leverage position.			Fully achieved	10.0%
		Peter Shepherd: objectives linked to satisfactory handover to new CFO.			Fully achieved	10.0%

	Total bonus payable % of maximum	Total bonus payable £'000 and % of annual salary
David Hall	69.4%	388 (86.8% of 2016 annual salary)
Martin Payne	74.4%	134 (74.4% of salary earned in period 16 May – 31 December 2016)
Peter Shepherd	74.4%	94 (74.4% of salary earned in period 1 January – 3 June 2016)

Polypipe

ANNUAL REPORT ON REMUNERATION

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR

LTIP

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in May 2016. This award is subject to the performance conditions described below and will become exercisable in May 2019.

	Type of award	Date of grant	Maximum number of shares	Face value (£)*	Face value (% of salary)	Threshold vesting (% of award)	End of performance period
David Hall	Nil cost option	10 May 2016	194,340	£558,145	125%	25% of award	EPS element – December 2018
Martin Payne	Nil cost option	31 May 2016	77,743	£250,800	88% **	25% of award	EPS element – May 2019

* The maximum number of shares that could be awarded has been calculated using the share price of £2.872 per share for David Hall's award (average closing share price for 5-9 May 2016) and £3.226 per share for Martin Payne's award (average closing share price for 25-27 May 2016) and is stated before the impact of reinvestment of the dividends paid since grant.

** The LTIP award was reduced from 100% of annual salary on a time pro-rated basis to reflect the fact that he will be employed for only part of the three-year period to which the award relates.

Vesting of the awards is subject to satisfaction of the following performance conditions measured over a three-year performance period. Vesting is calculated on a straight-line basis.

Underlying diluted EPS performance condition (75% of award)

	Three-year cumulative underlying diluted EPS	% of overall award vesting
Below threshold	<71.92 pence per share	0%
Threshold	71.92 pence per share	18.75%
Maximum	82.11 pence per share	75%

Threshold three-year cumulative underlying diluted EPS is calculated using a 5% per annum growth on 2015 underlying diluted EPS, adjusted for a full year of ownership of Nuaire. Maximum three-year cumulative underlying diluted EPS is calculated using a 12% per annum growth on 2015 underlying diluted EPS, adjusted for a full year of ownership of Nuaire. Vesting for performance between Threshold and Maximum will be calculated pro-rata on a straight-line basis.

TSR performance condition (25% of award)

Ranking in TSR comparator group	% of overall award vesting
Below median	0%
Median	6.25%
Upper quartile	25%

Comparator group comprises companies in the FTSE 250 Index that are classified as Industrials by the Industry Classification Benchmark. TSR performance will be measured over the three-year period to 9 May 2019. Vesting for performance between Median and Upper quartile will be calculated pro-rata on a straight-line basis.

Deferred Share Bonus Plan awards

On 26 April 2016, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2015 annual bonus. The value of these shares was included in the annual bonus figure in the 2015 single total figure of remuneration. No further performance conditions apply to these shares.

	Type of award	Maximum number of shares	Face value (£)*	Vesting date
David Hall	Deferred shares	31,174	£92,899	50% vests in each of April 2018 and April 2019
Peter Shepherd	Deferred shares	16,128	£48,060	50% vests in each of April 2018 and April 2019

* The maximum number of shares awarded was calculated using the average closing share price for the 3 dealing days prior to grant of £2.98 per share.

Sharesave Plan

Martin Payne participated in the 15 September 2016 grant of options under the Sharesave Plan on the same terms as other UK employees. Details relating to his participation in this grant are set out below. No performance conditions apply to these options.

	Type of award	Maximum number of shares	Face value (£)	Options exercisable from
Martin Payne	Share Option	8,144	£22,575	September 2019

Each option is exercisable at an exercise price of £2.21 per share. The option exercise price represents a 20% discount to the average closing price of a share on the three dealing days prior to the invitation to participate in the Company's Plan which was £2.772 per share. The face value of options in the above table is based on the aforementioned share price.

PAYMENTS TO PAST DIRECTORS

There were no payments to past Directors during 2016.

PAYMENTS FOR LOSS OF OFFICE

Peter Shepherd, the former CFO, stepped down from the Board on 25 May 2016 and retired from the Company on 3 June 2016. He received salary, pension and benefits up until his retirement date (as outlined in the single total figure of remuneration table above) and received no subsequent loss of office payments.

The Committee determined that Peter Shepherd should be entitled to receive a time pro-rated bonus for 2016 based on the Company's full-year performance (again as outlined in the single total figure of remuneration table above).

Peter Shepherd's outstanding share incentives were treated in accordance with the rules of the applicable plans:

- DSBP — Peter Shepherd was granted 22,155 ordinary shares in April 2015 and 16,128 ordinary shares in April 2016 representing the 25% retained value of his 2014 and 2015 annual bonus awards. The Committee determined that he should be treated as a good leaver in respect of these awards which therefore vested on 3 June 2016. Under the rules of the DSBP he took up the option to receive a cash amount in substitution for the right to receive these shares.
- Sharesave Plan – Peter Shepherd's outstanding options held under the all-employee Sharesave Plan may be exercised in accordance with the rules of the Sharesave Plan.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

Upon Admission, the Committee introduced a shareholding requirement of 100% of base annual salary for the Executive Directors.

Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement. The Committee reviews ongoing individual performance against the shareholding requirement at the end of each financial year.

David Hall has a shareholding that surpassed the requirement at 31 December 2016. Martin Payne commenced employment with the Company during 2016 and is building up his shareholding in line with the aforementioned five-year timescale.

The number of shares currently held by Directors are set out in the table below:

	Number of shares at 31 December 2016				
	Shares owned outright	Interests in share incentive schemes, subject to performance conditions	Interests in share incentive schemes, awarded without performance conditions		
Director		LTIP[(1)]	DSBP[(2)]	Recruitment awards[(3)]	Sharesave Plan[(4)]
David Hall [(5)]	5,873,740 (4,158% of salary)	194,340	73,975	–	9,045
Martin Payne [(5)]	56,819 (63% of salary)	77,743	–	44,582	8,144
Ron Marsh	175,000	–	–	–	–
Paul Dean	5,000	–	–	–	–
Moni Mannings	–	–	–	–	–
Mark Hammond	15,000	–	–	–	–
Peter Shepherd [(6)]	2,477,037	–	38,283	–	9,045

Notes to the table

(1) This relates to shares awarded under the LTIP in May 2016.

(2) This relates to shares awarded under the DSBP in April 2015 and April 2016 in relation to the 2014 and 2015 annual bonuses respectively.

(3) This relates to shares awarded to Martin Payne in partial compensation for bonus and long-term incentive awards forfeited when he left his previous employer Norcros plc. Full details are set out on pages 55 to 57. A further 50,601 shares vested during 2016 and are included, net of shares sold to satisfy the related personal tax liability, in the 'Shares owned outright' column.

(4) This relates to shares awarded under the Sharesave Plan in September 2014 (David Hall and Peter Shepherd) and September 2016 (Martin Payne).

(5) For the purposes of determining the value of Executive Director shareholdings, the individual's current annual salary and the share price as at 31 December 2016 has been used (£3.24 per share).

(6) Shareholding as at date of cessation of employment in June 2016.

Between 31 December 2016 and the date of this report, there were no changes in the shareholdings of current Directors outlined in the above table.

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ANNUAL REPORT ON REMUNERATION

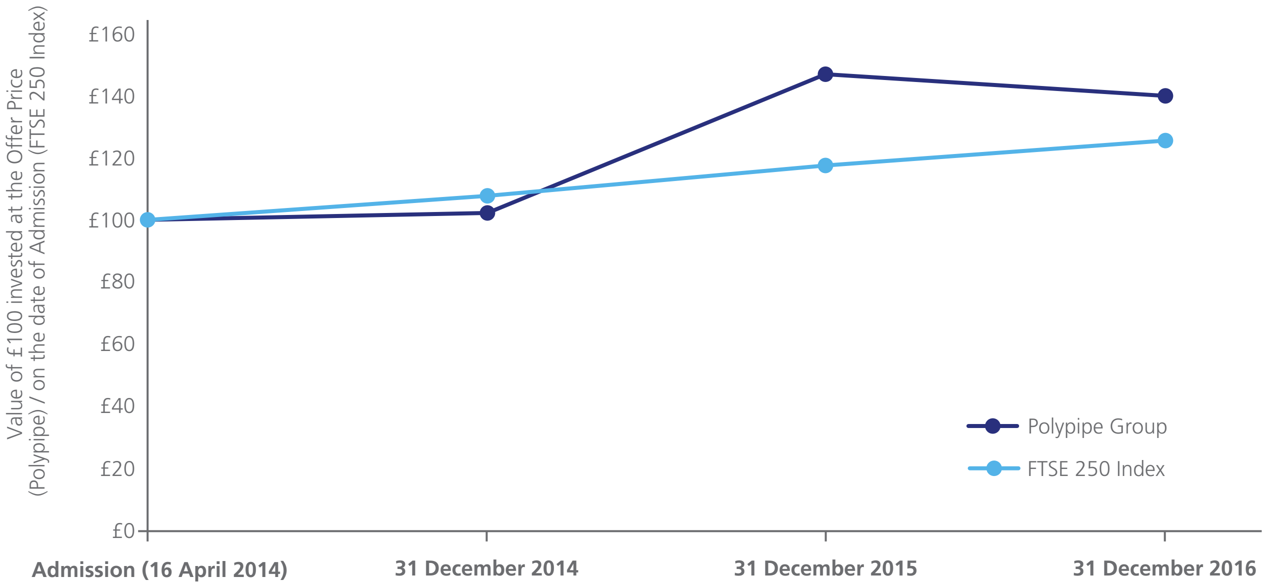
UNAUDITED INFORMATION

The information provided in this section of the Remuneration Report is not subject to audit.

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2016 to the performance of the FTSE 250 Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the Offer Price of £2.45 per share.

The table below the chart summarises the CEO single figure for total remuneration, annual bonus pay-outs and long-term incentive vesting levels as a percentage of maximum opportunity over this period.



	2014	2015	**2016**
CEO single figure of remuneration £'000	955	919	**948**
Annual bonus pay-out (as a % of maximum opportunity)	88.7%	68.2%	**69.4%**
LTIP vesting out-turn (as a % of maximum opportunity)	n/a (no award vested in 2014)	n/a (no award vested in 2015)	**n/a (no award vested in 2016)**

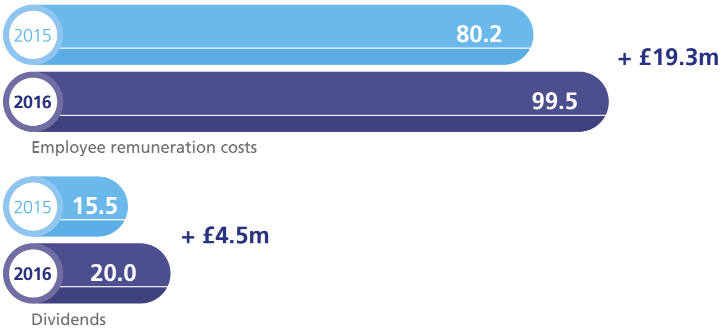
PERCENTAGE CHANGE IN REMUNERATION OF THE CEO

The chart below illustrates the percentage change in annual salary, benefits and bonus between 2015 and 2016 for the CEO and the average for all Company UK employees. The CEO is a UK-based employee so the Committee feels that a comparator based on all UK employees is appropriate for the purposes of this analysis.

	Salary change (2015 to 2016)	Benefits change (2015 to 2016)	Annual bonus change (2015 to 2016)
CEO	+ 2.5%	–	+ 4.3%
Average for all UK employees	+ 2.5%	–	+17.8%

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The chart below illustrates the total expenditure on pay for all of the Company's employees compared to dividends payable to shareholders.



CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee is chaired by Moni Mannings. During the year, the Committee also comprised Ron Marsh, Paul Dean and Mark Hammond.

The Committee met 5 times during 2016. The CEO, David Hall, was also present at those meetings by invitation. Martin Payne, CFO attended selected parts of some meetings by invitation.

The Committee is responsible for determining all aspects of Executive Director pay. It also monitors pay arrangements for other senior executives and oversees the operation of all share plans. Full terms of reference of the Committee are available on our website.

Deloitte LLP was appointed in 2014 to provide advice on executive remuneration matters. During the year, the Committee received independent and objective advice from Deloitte LLP principally on market practice, incentive design and drafting of the Remuneration Report for which Deloitte LLP was paid £47,300 in fees (charged on a time plus expenses basis). Deloitte LLP is a founding member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. In addition, during 2016, other departments within Deloitte LLP provided advice to the Company in relation to tax. The Committee has reviewed the nature of this additional advice and is satisfied that it does not compromise the independence of the advice that it has received.

SHAREHOLDER VOTING ON REMUNERATION REPORT RESOLUTIONS

A high level of shareholder support has been received for our Remuneration Report resolutions since Admission as summarised below:

	Votes for	Votes against	Votes withheld
Approval of the Policy Report 2015 AGM	146,494,935 (99.99%)	1,457 (0.01%)	3,197,875
Approval of the Annual Report on Remuneration			
2015 AGM	144,345,469 (98.53%)	2,150,923 (1.47%)	3,197,875
2016 AGM	139,544,564 (95.97%)	5,860,276 (4.03%)	1,732,822

EXTERNAL BOARD APPOINTMENTS

Executive Directors are not normally entitled to accept a Non-Executive Director appointment outside the Company without the prior approval of the Board. Neither of the current Executive Directors currently holds any such appointment.

ANNUAL GENERAL MEETING

This Remuneration Report will be subject to an advisory shareholder vote at our AGM to be held on 24 May 2017.

By order of the Board.

Moni Mannings
Chair of the Remuneration Committee
30 March 2017

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DIRECTORS' REPORT

INTRODUCTION

The Directors present their Annual Report and Accounts for the period ended 31 December 2016. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure Guidance and Transparency Rules, the reports within the Governance section of the Annual Report and Accounts should be read in conjunction with one another, and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 4 to 35) as the Board considers them to be of strategic importance.

THE COMPANY

Polypipe Group plc is a public company limited by shares, incorporated in England and Wales with registered number 06059130. Since 16 April 2014, the Company was and remains listed on the premium segment of the London Stock Exchange. Whilst the Group operates predominately in the UK, it does have operations in France, Italy and the UAE.

STRATEGIC REPORT

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic Report on pages 16 to 17. The principal activities of the Group are described in the Strategic Report on pages 14 to 15.

FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the Group and financial instruments used by the Group (if any), are disclosed in Note 29 to the Group's consolidated financial statements on pages 105 to 108.

VIABILITY STATEMENT

In accordance with Provision C2.2 of the UK Code, the Directors have assessed the prospect of the Group over a longer period than twelve months required by the 'Going Concern' provision. The Board conducted this review for a period of three years as the Group's Strategic Review covers a three-year period.

During 2016, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. In their assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties detailed on pages 30 to 33 of the Annual Report and Accounts. The Directors believe that, whilst not specifically noted, the potential impact of the EU Referendum result is covered within these principal risks and uncertainties. The Directors believe that the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2019 being the period considered under the Group's current three-year strategic plan.

GOING CONCERN STATEMENT

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least twelve months from the date of this report. Accordingly, the Board continues to adopt and consider appropriate the going concern basis in preparing the Annual Report and Accounts.

DIRECTORS

The current Directors' biographies are set out on pages 38 to 39. In addition, Mr Peter Shepherd was Chief Financial Officer until the 2016 AGM on 25 May 2016. In accordance with the UK Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company.

APPOINTMENTS AND REPLACEMENT OF DIRECTORS

The rules about the appointment and replacement of Directors are contained in our Articles of Association (the Articles). They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Directors must retire and put themselves forward for election at their first AGM following their appointment and every third anniversary thereafter. However, the Directors wishing to continue to serve as members of the Board, will seek re-election annually in accordance with the UK Code.

Details of the Non-Executive Directors' letters of appointment are given on page 42 under Appointment and Tenure. The Executive Directors have service contracts under which twelve months' notice is required.

POWERS OF DIRECTORS

The general powers of the Directors set out in Article 94 of the Company's Articles provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles. The general powers of the Directors are also limited by any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

COMPENSATION FOR LOSS OF OFFICE

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on pages 53 to 61.

DIRECTORS' INDEMNITY ARRANGEMENTS

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate company, to the extent the law allows. In this regard, the Company is required to disclose that under Article 212 of the Company's Articles, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006 against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity has been in place since the Company's application for listing on the London Stock Exchange on 28 March 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

SHARE CAPITAL

As at 31 December 2016 the share capital of the Company was 199,999,862 ordinary shares of £0.001 each of which 1,714,148 ordinary shares are held in treasury. Details of the Company's share capital are disclosed in Note 23 to the Group's consolidated financial statements.

Authority of the Directors to allot shares

The Company passed a resolution at the AGM held on 25 May 2016 authorising the Directors to allot ordinary shares up to an aggregate nominal amount of £66,353.69 (representing 66,353,690 ordinary shares or approximately 33% of the ordinary share capital). No shares have been issued under this authority.

This authority will expire at the Company's AGM to be held on 24 May 2017 and the Directors will be seeking a new authority to allot shares, to ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

Issue of shares

A special resolution was passed at the AGM held on 25 May 2016 granting the Directors the authority to issue shares on a non- pre-emptive basis up to £9,999.99 (representing 9,999,990 ordinary shares or approximately 5% of the ordinary share capital). No shares have been issued under this authority.

This authority will expire at the Company's AGM to be held on 24 May 2017 and the Directors will be seeking a new authority to issue shares on a non-pre-emptive basis up to £9,914.28. In addition to this, the Directors will seek authority to issue non- pre-emptively for cash shares up to £9,914.28 (representing 9,914,285 ordinary shares or approximately 5% of the ordinary share capital) for use only in connection with an acquisition or specified capital investments, in accordance with the Pre-Emption Group Statement of Principles as updated in March 2015.

Excluding any shares issued in connection with an acquisition or specified capital investment as described above, the Directors do not intend to issue more than 7.5% of the issued share capital on a non- pre-emptive basis in any rolling three-year period.

Purchase of own shares by the Company

A special resolution was passed at the AGM held on 25 May 2016 granting the Directors the authority to make market purchases up to 19,926,034 ordinary shares with a total nominal value of £19,926.03, representing approximately 10% of the Company's issued ordinary share capital.

During the year the Company purchased 1,000,000 of its £0.001 ordinary shares for a total of £2.9m to satisfy awards made under the Company's Sharesave Plan and other share option schemes which are due to mature in 2017. The Company holds these shares in treasury. The purchased shares represent a percentage of 0.5% of the called up share capital.

The authority to make market purchases will expire at the Company's AGM to be held on 24 May 2017 and the Directors will be seeking a new authority to make market purchases up to 14.99% of the Company's issued ordinary share capital, which will only be exercised if the market and financial conditions make it advantageous to do so. The Company intends to hold these shares in treasury to satisfy share option awards in the future. Further details are set out in the explanatory notes on pages 6 to 8 of the Notice convening the AGM.

Particulars of treasury share purchases are also disclosed in Note 23 to the Group's consolidated financial statements.

Rights attaching to shares

The rights attaching to the ordinary shares are summarised as:

- The ordinary shares rank equally for voting purposes;
- On a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- Each ordinary share ranks equally for any dividend declared;
- Each ordinary share ranks equally for any distributions made on a winding up of the Company;
- Each ordinary share ranks equally in the right to receive a relative proportion of shares on the event of a capitalisation of reserves;
- The ordinary shares are freely transferable; and
- No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

AMENDMENT TO THE COMPANY'S ARTICLES

The Company may alter its Articles by special resolution passed at a general meeting of the Company.

POLITICAL DONATIONS

The Group made no political donations during the year.

DIRECTORS' REPORT

GREENHOUSE GAS EMISSIONS

Information on the Group's greenhouse gas emissions is set out in the Corporate Responsibility Statement on pages 34 to 35 and forms part of this report by reference.

FUTURE DEVELOPMENTS WITHIN THE GROUP

The Strategic Report contains details of likely future developments within the Group. The Group's research and development costs are disclosed in Note 6 to the Group's consolidated financial statements on page 90.

OVERSEAS OPERATIONS

As explained in the Strategic Report, the Group operates in the UK, France, Italy and the UAE.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events to report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board have carried out a robust assessment of our current key risks and these are summarised in the Principal Risks and Uncertainties section of the Strategic Report on pages 30 to 33.

RESULTS AND DIVIDENDS

An interim dividend totalling 3.1 pence per share was paid on 23 September 2016, reflecting the continued strong cash generation of the Group. The Board recommends a final dividend of 7.0 pence per share. Shareholders will be asked to approve the final dividend at the AGM on 24 May 2017, for payment on 2 June 2017 to shareholders whose names appear on the register on 28 April 2017.

Total ordinary dividends paid and proposed for the year amount to 10.1 pence per share or a total return to shareholders of £20.0m in total.

EMPLOYEES

The Company's policies in relation to the employment of disabled persons and gender breakdown and employee involvement are included in the Corporate Responsibility Statement – Employment on page 34.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016 and 24 March 2017 the Company was aware of the following interests in voting rights representing 3% or more of the issued ordinary share capital of the Company. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

	As at 31 December 2016		As at 24 March 2017	
Name of Shareholder	**Ordinary Shares**	**% Voting Rights**	**Ordinary Shares**	**% Voting Rights**
Standard Life Investments (Holdings) Limited	29,405,461	14.83(1)	26,830,905	13.53(1)
BlackRock, Inc.	–	–	10,031,297	5.06 (1)
Schroders plc	11,007,168	5.55(1)	9,889,770	4.99(1)
Norges Bank	6,546,793	3.30	6,546,793	3.30

(1) Held indirect.

AUDITOR

A resolution to re-appoint Ernst and Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2017 AGM.

DIRECTORS' STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors has confirmed that as at the date of this report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

REQUIREMENTS OF THE LISTING RULES

Apart from the details of any long-term incentive scheme as required by Listing Rule 9.4.3.R, which is disclosed in the Directors' Remuneration Report on pages 53 to 61, disclosure of the information listed in Listing Rule 9.8.4R is not applicable.

ANNUAL GENERAL MEETING

The 2017 AGM will be held on 24 May 2017 at the Holiday Inn, High Road, Doncaster, DN4 9UX. A full description of the business to be conducted at the meeting will be set out in the separate Notice of AGM.

By order of the Board.

Capita Company Secretarial Services Limited
Company Secretary
30 March 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group's consolidated financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, the Strategic Report, the Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

— the Group's consolidated financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

— the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

— the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board.

D G Hall
Chief Executive Officer
30 March 2017

M K Payne
Chief Financial Officer
30 March 2017

Polypipe

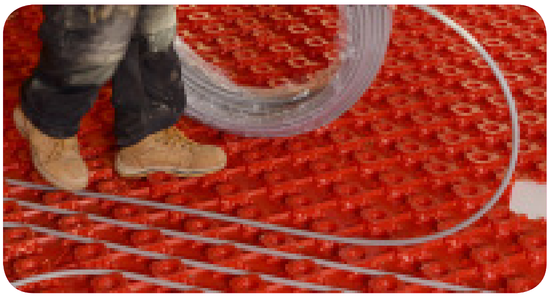
OUR SOLUTIONS

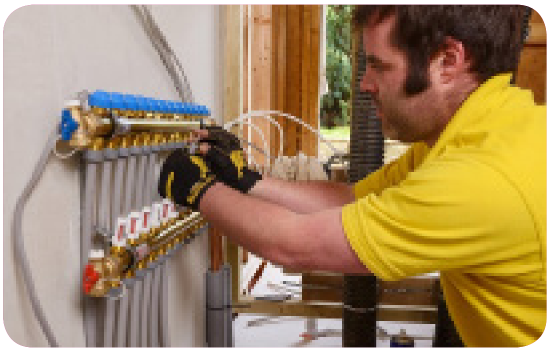
COUNTRY MANSION GOES GREEN WITH POLYPIPE UNDERFLOOR HEATING

Renewable energy specialists, Worcester Renewable Energy Ltd., enlisted the help of Polypipe to provide Burrows Lea Farmhouse with environmentally friendly heating.

Smarter Thinking
Better Solutions

Enabling Sustainable
Building Technology





CASE STUDY BURROWS LEA

Polypipe's Red Floor Slate Solid Floor System was specified for the ground floor of the farmhouse due to its ability to provide an ambient temperature throughout the property at a low energy output. On the first floor of the building, Polypipe's OverlayTM 18mm system was laid directly on top of the existing floors, avoiding the need for additional work to raise or lower the level of the underlying floor.

Each system was paired with a ground source heat pump as they worked in tandem to provide a high performance heating system with excellent energy efficiency.

The use of underfloor heating created a discreet, cost-effective heating system and maximised the visually impressive interior design of the farmhouse due to the removal of radiators.

OUR FINANCIALS

Polypipe

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF POLYPIPE GROUP plc

OUR OPINION ON THE FINANCIAL STATEMENTS
In our opinion:

- Polypipe Group plc's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED
Polypipe Group plc's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2016	Balance sheet as at 31 December 2016
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related Notes 1 to 9 to the financial statements
Consolidated cash flow statement for the year then ended	
Related Notes 1 to 29 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	• Revenue recognition and recognition of customer rebates.
Audit scope	• We performed an audit of the complete financial information of all components of the Group. • The components where we performed full audit procedures accounted for 100% of Profit Before Tax, 100% of Revenue and 100% of Total Assets.
Materiality	• Overall Group materiality of £2.7m (2015: £2.3m) which represents 5% of Profit Before Tax (2015: 5% of the Group's Profit Before Tax excluding non-underlying items other than amortisation of intangible assets and profit on disposal of property, plant and equipment).

OUR ASSESSMENT OF RISK OF MATERIAL MISSTATEMENT

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition and recognition of customer rebates		
The timing of revenue recognition is relevant to the reported performance of the Group as a whole and also to the completeness of rebate expense and related year end liabilities as discussed below. There is opportunity to misstate the recording of revenue between periods in order to influence reported results. Furthermore, as described in Note 3 to the Group financial statements, the Group's pricing structure includes rebate arrangements with customers. Some of these arrangements involve estimation when determining the amount to be recognised as an expense in the year and a liability at the year end. This is particularly the case where the Group is reliant on information from customers which may not be available at the time the liabilities are recognised. Refer also to page 50 (Report of the Audit Committee).	We validated any material manual journals either side of the year end to assess for any evidence of management bias by checking to supporting documentation. We tested the accuracy of revenue cut off around the year end. Our work comprised the agreement of sales transactions from either side of the year end to supporting documentation. We also performed procedures where applicable using EY bespoke data analytics tools to test the appropriateness of journal entries recorded in the general ledger by correlating sales postings with cash receipts throughout the year. We tested the accuracy and appropriateness of rebate provision calculations by agreeing a sample of amounts recognised to terms of agreements and other supporting documents. We also compared year end customer rebate provisions and rebate costs in the year to prior year amounts and expectations. We compared a sample of rebate payments made in the year with amounts provided as at 31 December 2015 which, together with a review of ageing, gave us assurance over the accuracy of amounts previously provided. We assessed the completeness of rebate amounts recognised by reference to the Group's revenues in the year.	We have concluded that revenue is appropriately recognised in the correct accounting period and found no evidence of management bias. We have concluded that the customer rebates expense and liability are appropriately recognised and that amounts estimated are within an acceptable range.

In the prior year, our auditor's report also included a risk of material misstatement in relation to acquisitions. In the current year, there were no acquisitions so this risk has been removed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLYPIPE GROUP plc

THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account factors such as size, risk profile, the organisation of the Group and effectiveness of group-wide controls when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the twelve reporting components of the Group, we selected all twelve components covering entities within the UK, France, Italy and Dubai, which represent the principal business units within the Group.

We performed an audit of the complete financial information of all twelve components selected ("full scope components"). Therefore for the current year, the full scope components where we performed audit procedures accounted for 100% of the Group's Profit Before Tax (2015: 100% of the Group's Profit Before Tax excluding non-underlying items other than amortisation of intangible assets and profit on disposal of property, plant and equipment), 100% (2015: 100%) of the Group's Revenue and 100% (2015: 100%) of the Group's Total Assets.

Changes from the prior year

The new business unit opened in Dubai in 2016 has been included within the full scope components this year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the twelve full scope components, audit procedures were performed on nine of these directly by the primary audit team, which was responsible for all UK locations. For the three full scope components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, a visit was undertaken by the primary audit team to the component team in France. This visit involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending the closing meeting and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.7 million (2015: £2.3 million), which is 5% of Profit Before Tax (2015: 5% of the Group's Profit Before Tax excluding non-underlying items other than amortisation of intangible assets and profit on disposal of property, plant and equipment). We believe that Profit Before Tax provides us with the most relevant measure of Group profitability.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 75%) of our planning materiality, namely £2.0m (2015: £1.7m). We have set performance materiality at this percentage due to the past history of few misstatements indicating a lower risk of misstatement in the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £2.0m (2015: £0.3m to £1.7m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2015: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statements set out on pages 65 and 109, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Polypipe

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLYPIPE GROUP plc

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement set out on pages 41 to 45 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures and in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority:
  - is consistent with the financial statements; and
  - has been prepared in accordance with applicable legal requirement;
- based on the work undertaken rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (with respect to the Company's corporate governance code and practices about its administrative, management and supervisory bodies and their committees) have been complied with if applicable.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report and Accounts is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or - otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report and Accounts appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report, Directors' Report or Corporate Governance Statement set out on pages 4, 62 and 40, respectively. We are required to report to you if, in our opinion: - adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or - the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit; or - a Corporate Governance Statement has not been prepared by the Company.	We have no exceptions to report.

Listing Rules review requirements	We are required to review: ○ the Directors' statement in relation to going concern, and longer-term viability, both on page 62; and ○ the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ○ the Directors' confirmation in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; ○ the disclosures in the Annual Report and Accounts that describe those risks and explain how they are being managed or mitigated; ○ the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ○ the Directors' explanation in the Annual Report and Accounts as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Ernst & Young LLP

Stuart Watson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Leeds
30 March 2017

Notes:

1. The maintenance and integrity of the Polypipe Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016			2015		
	Notes	**Underlying £m**	**Non-Underlying* £m**	**Total £m**	Underlying £m	Non-Underlying* £m	Total £m
Revenue	5	**436.9**	**–**	**436.9**	352.9	–	352.9
Cost of sales		**(256.8)**	**–**	**(256.8)**	(210.0)	–	(210.0)
Gross profit		**180.1**	**–**	**180.1**	142.9	–	142.9
Selling and distribution costs		**(69.4)**	**–**	**(69.4)**	(56.4)	–	(56.4)
Administration expenses		**(41.3)**	**–**	**(41.3)**	(32.3)	(2.0)	(34.3)
Trading profit		**69.4**	**–**	**69.4**	54.2	(2.0)	52.2
Profit on disposal of property, plant and equipment	8	**–**	**0.3**	**0.3**	–	0.2	0.2
Impairment of freehold land and buildings	8	**–**	**(0.9)**	**(0.9)**	–	–	–
Amortisation of intangible assets	8	**–**	**(6.8)**	**(6.8)**	–	(3.0)	(3.0)
Operating profit	5, 6	**69.4**	**(7.4)**	**62.0**	54.2	(4.8)	49.4
Finance revenues	11	**–**	**–**	**–**	0.1	–	0.1
Finance costs	11	**(7.6)**	**–**	**(7.6)**	(6.3)	(1.7)	(8.0)
Profit before tax	5	**61.8**	**(7.4)**	**54.4**	48.0	(6.5)	41.5
Income tax	12	**(11.8)**	**1.6**	**(10.2)**	(9.2)	1.8	(7.4)
Profit for the year attributable to the owners of the parent company		**50.0**	**(5.8)**	**44.2**	38.8	(4.7)	34.1
Basic earnings per share (pence)	14			**22.2**			17.1
Diluted earnings per share (pence)	14			**22.1**			17.1
Dividend per share (pence) – interim	13			**3.1**			2.3
Dividend per share (pence) – final	13			**7.0**			5.5
Total				**10.1**			7.8

* Non-underlying items are presented separately. The definition of non-underlying items is included in the Group Accounting Policies on page 86. Non-underlying items are detailed in Note 8 to the consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £m	2015 £m
Profit for the year attributable to the owners of the parent company	**44.2**	34.1
Other comprehensive income/(expense):		
Items which will be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**2.9**	(0.8)
Effective portion of changes in fair value of interest rate swap derivatives	**(2.1)**	0.3
Tax relating to items that may be reclassified	**0.3**	(0.1)
Other comprehensive income/(expense) for the year net of tax	**1.1**	(0.6)
Total comprehensive income for the year attributable to the owners of the parent company	**45.3**	33.5

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GROUP BALANCE SHEET

AT 31 DECEMBER 2016

	Notes	31 December 2016 £m	31 December 2015 £m
Non-current assets			
Property, plant and equipment	15	**101.0**	98.1
Intangible assets	16	**371.6**	378.4
Total non-current assets	5	**472.6**	476.5
Current assets			
Assets held for sale	19	**0.7**	–
Inventories	20	**52.2**	47.5
Trade and other receivables	21	**40.1**	30.5
Cash and cash equivalents	22	**26.5**	21.6
Total current assets		**119.5**	99.6
Total assets	5	**592.1**	576.1
Current liabilities			
Trade and other payables	25	**(91.8)**	(80.3)
Other financial liabilities	26	**(5.7)**	(2.2)
Income tax payable		**(7.0)**	(4.7)
Total current liabilities		**(104.5)**	(87.2)
Non-current liabilities			
Loans and borrowings	26	**(190.8)**	(215.9)
Other liabilities	26	**(2.1)**	(2.0)
Deferred income tax liabilities	12	**(7.3)**	(10.0)
Total non-current liabilities		**(200.2)**	(227.9)
Total liabilities	5	**(304.7)**	(315.1)
Net assets	5	**287.4**	261.0
Capital and reserves			
Equity share capital	23	**0.2**	0.2
Capital redemption reserve	23	**1.1**	1.1
Treasury shares	23	**(4.6)**	(1.7)
Hedging reserve	23	**(3.5)**	(1.7)
Foreign currency retranslation reserve	23	**0.4**	(2.5)
Retained earnings		**293.8**	265.6
Total equity		**287.4**	261.0

The consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

M K Payne
Director
30 March 2017

Company Registration No. 06059130

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Equity share capital £m	Capital redemption reserve £m	Treasury shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Retained earnings £m	Total equity £m
At 31 December 2014	0.2	1.1	(1.7)	(1.9)	(1.7)	241.7	237.7
Profit for the year	–	–	–	–	–	34.1	34.1
Other comprehensive income/(expense)	–	–	–	0.2	(0.8)	–	(0.6)
Total comprehensive income/(expense) for the year	–	–	–	0.2	(0.8)	34.1	33.5
Dividends paid	–	–	–	–	–	(10.6)	(10.6)
Share-based payments	–	–	–	–	–	0.4	0.4
At 31 December 2015	0.2	1.1	(1.7)	(1.7)	(2.5)	265.6	261.0
Profit for the year	–	–	–	–	–	44.2	44.2
Other comprehensive income/(expense)	–	–	–	(1.8)	2.9	–	1.1
Total comprehensive income/(expense) for the year	–	–	–	(1.8)	2.9	44.2	45.3
Dividends paid	–	–	–	–	–	(17.1)	(17.1)
Purchase of own shares	–	–	(2.9)	–	–	–	(2.9)
Share-based payments charge	–	–	–	–	–	1.3	1.3
Share-based payments settled	–	–	–	–	–	(0.3)	(0.3)
Share-based payments excess tax benefit	–	–	–	–	–	0.1	0.1
At 31 December 2016	**0.2**	**1.1**	**(4.6)**	**(3.5)**	**0.4**	**293.8**	**287.4**

Polypipe

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Operating activities			
Profit before tax		**54.4**	41.5
Net finance costs	11	**7.6**	7.9
Operating profit		**62.0**	49.4
Non-cash items:			
Profit on disposal of property, plant and equipment	8	**(0.3)**	(0.2)
Non-underlying exceptional items – amortisation of intangibles assets	8	**6.8**	3.0
– impairment of freehold land and buildings	8	**0.9**	–
Depreciation	15	**16.3**	15.1
Share-based payments		**1.0**	0.4
Operating cash flows before movement in working capital		**86.7**	67.7
Movement in working capital:			
Receivables		**(8.3)**	1.6
Payables		**11.5**	5.2
Inventories		**(3.4)**	(1.9)
Cash generated from operations		**86.5**	72.6
Income tax paid		**(10.1)**	(5.2)
Net cash flows from operating activities		**76.4**	67.4
Investing activities			
Interest received	11	**–**	0.1
Proceeds from disposal of property, plant and equipment		**0.4**	0.4
Acquisition of businesses – purchase consideration	17	**–**	(155.2)
– cash at acquisition	17	**–**	5.7
Purchase of property, plant and equipment		**(19.1)**	(19.3)
Net cash flows from investing activities		**(18.7)**	(168.3)
Financing activities			
Drawdown of bank loan		**–**	148.5
Repayment of bank loan		**(25.5)**	(51.0)
Interest paid		**(7.3)**	(5.8)
Dividends paid	13	**(17.1)**	(10.6)
Refinancing costs		**–**	(1.7)
Purchase of own shares		**(2.9)**	–
Net cash flows from financing activities		**(52.8)**	79.4
Net change in cash and cash equivalents		**4.9**	(21.5)
Cash and cash equivalents at 1 January	22	**21.6**	43.1
Cash and cash equivalents at 31 December	22	**26.5**	21.6

NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. AUTHORISATION OF FINANCIAL STATEMENTS
The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue by the Board of Directors on the 30 March 2017 and the balance sheet was signed on the Board's behalf by M K Payne.

Polypipe Group plc is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Group is the manufacture of plastic pipe systems for the building and construction market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The basis of preparation and accounting policies used in preparing the consolidated historical financial information for the year ended 31 December 2016 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

2.1 Basis of preparation and statement of compliance with IFRSs
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union regulations as they apply to the consolidated financial statements of the Group for the year ended 31 December 2016 and also in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies which follow set out those policies which apply in preparing the consolidated financial statements for the year ended 31 December 2016.

The Group's consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Pounds Sterling and all values are rounded to the nearest million (£m) unless otherwise indicated.

2.2 Going concern
The Directors, having considered all relevant risk factors, believe the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.3 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All inter-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group holds 100% of the equity and controls 100% of the voting rights in all subsidiaries, with the exception of Water Management Solutions LLC which has not traded since incorporation in Qatar in 2015. Accordingly, the treatment of non-controlling interests or any other non-voting right factors in respect of control is not material.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the total of the consideration transferred, measured at acquisition fair value. Acquisition costs incurred are expensed and included in administration expenses in the income statement.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill.

Any contingent consideration to be transferred to the vendor is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39, Financial Instruments: Recognition and Measurement (IAS 39), either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and subsequent settlement is accounted for within equity.

2.5 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses (see 2.12).

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the profit or loss on disposal of the unit, or of an operation within it.

2.6 Foreign currency translation

The Group's consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the balance sheet date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at average exchange rates prevailing. The resulting exchange differences are recognised in other comprehensive income.

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer (when the goods are delivered). The amount is recognised net of any discounts or rebates payable, which are accrued at the point at which the goods are delivered. As explained in Note 3.2, rebates can be complex in nature and involve estimation.

Interest income

Interest is recognised as interest accrues on cash balances using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.8 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities based on income tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the following exceptions:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

For deductible temporary differences associated with investments in subsidiaries it must additionally be probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same tax authority and that authority permits the Group to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the income tax rates that are expected to apply when the asset is realised or the liability is settled, based on income tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of property, plant and equipment, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected economic life not exceeding 50 years
Plant and other equipment	4 to 10 years

The carrying amounts of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end and where adjustments are required these are made prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any profit or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.10 Intangible assets
Intangible assets acquired separately are initially measured at cost. Intangible assets arising on business combinations are initially measured at fair value. Following initial recognition, intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation of intangible assets is provided over the following expected useful lives:

Patents and brand names	ten years
Customer relationships	five years
Customer order book	up to one year

Research and development costs
Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

At the balance sheet date no development costs have met the above criteria.

2.11 Assets held for sale
Assets classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year from the date of classification, and the asset is available for immediate sale in its present condition.

2.12 Impairment of non-financial assets
The Group assesses at each balance sheet date whether there are any indicators that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value in use and it is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and industry forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and industry forecast calculations are generally covering a period of four years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (at 31 December) and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. For the purpose of impairment testing, goodwill is allocated to the related CGUs. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income.

Impairment losses related to goodwill are not reversed in future periods.

2.13 Leasing

The classification of leases as finance or operating leases requires the Group to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised on the balance sheet.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight-line basis over the lease term.

2.14 Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Group's financial assets include cash and cash equivalents, derivative financial instruments and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. The Group does not hold any held-to-maturity investments or available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenues or finance costs in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance revenues in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. Loans and receivables also include cash and cash equivalents and trade and other receivables.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of financial liabilities at initial recognition. The Group has trade and other payables, loans classified as loans and borrowings and derivative financial instruments. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Profits or losses on liabilities held for trading are recognised in profit or loss.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Profits and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenues and finance costs.

Derecognition

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

iv) Fair values

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

The fair value of financial instruments that are traded in active markets at the balance sheet date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

v) Derivative financial instruments

The Group uses derivative financial instruments, in particular interest rate swaps and forward exchange contracts, to manage the financial risks arising from the business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair value on the balance sheet date. Changes in the fair value of any derivative financial instruments that do not fulfil the criteria for hedge accounting contained in IAS 39 are recognised immediately in the income statement. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

vi) Hedge accounting

The Group maintains documentation of the relationship between the hedged item and the hedging instrument at the inception of a hedging transaction together with the risk management objective and the strategy underlying the designated hedge. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flows of the hedged items.

When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges.

Note 29 sets out the details of the fair values of the derivative financial instruments used for hedging purposes.

The Group does not currently have any designated fair value hedges or net investment hedges.

Cash flow hedge

Cash flow hedging matches the cash flows of hedged items against the corresponding cash flows of the derivative. The effective part of any profit or loss on the derivative is recognised directly in other comprehensive income and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any profit or loss is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative profit or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative profit or loss recognised in equity is transferred to net profit or loss for the period.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials - purchase cost on a first-in, first-out basis;
- Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.16 Cash and short-term deposits

Cash and short-term deposits consist of cash at bank and in hand.

2.17 Pensions

The Group operates a defined contribution pension plan. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Group in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.18 Non-underlying items

The Group presents amortisation of intangible assets, profit on disposal of property, plant and equipment and non-recurring operating costs, financing charges and tax in respect of acquisitions as non-underlying items on the face of the income statement. These are items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, the Directors consider merit separate presentation to provide a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in financial performance. The tax effect of the above is also included.

2.19 Share-based payments

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.20 Treasury shares

The Group operates an employee benefit trust (EBT). The Group, and/or the EBT, holds Polypipe Group plc shares for the granting of Polypipe Group plc shares to employees and Directors. These treasury shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. No dividends are earned on these shares. The shares are ignored for the purposes of calculating the Group's earnings per share.

3. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have the most significant effect on amounts recognised in the consolidated financial statements:

3.1 Impairment of non-financial assets

In accordance with IFRS, the Group considers whether there are any indicators of impairment of assets. Where indicators of impairment are identified, the Group tests the asset for impairment. Goodwill is tested for impairment annually (at 31 December) and when circumstances indicate that the carrying amount may be impaired.

The Group's impairment test for goodwill is based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget/forecast for the next four years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or the cash-generating unit (CGU) being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 16.

3. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

3.2 Revenue recognition and customer rebates

The Group's pricing structure involves rebate arrangements with several of its direct and indirect customers. These can be complex in nature and involve estimation in determining the required level of provision for rebate liabilities, particularly where the Group is reliant on information from customers which may not be available at the time the liabilities are assessed.

3.3 Measurement of intangible assets

The measurement of intangible assets other than goodwill on a business combination involves the estimation of future cash flows and other inputs relevant to the valuation model being applied. Acquisitions are disclosed in Note 17.

3.4 Provisions against inventories

The Directors make judgements based on experience regarding the level of provision required to state inventories at their net realisable value.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards which have been adopted in the year

There were no new standards or interpretations adopted in the year that had a material impact on the Group's consolidated financial statements.

Standards issued but not yet effective

The following listing of standards and interpretations issued are those that the Group reasonably expect to have an impact on disclosures, financial position or performance; but which have an effective date after the date of these consolidated financial statements. The Group has not early adopted them and plans to adopt them from the effective dates adopted by the European Union.

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

None of these standards or interpretations are expected to have a material impact on the Group's consolidated financial statements with the exception of IFRS 16, Leases. Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the balance sheet (except for those with a very low value). At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. Whilst the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities in the balance sheet, and finance costs being reclassified in the income statement. Currently the Group does not have any finance leases but does have operating leases which are disclosed in Note 27.

Beyond the information above, it is not practicable to provide a reasonable financial estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Board of Directors, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group has three reporting segments - Residential Systems (all UK by origin), Commercial and Infrastructure Systems (UK) and Commercial and Infrastructure Systems (Mainland Europe). The reporting segments are organised based on the nature of the end markets served. Our Middle East factory is included within Commercial and Infrastructure Systems (UK) due to the strong link with UK manufactured export product. There are no significant judgements in aggregating operating segments to arrive at the reporting segments. Inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties.

	2016			2015		
	Revenue £m	**Result £m**	**Underlying result* £m**	Revenue £m	Result £m	Underlying result* £m
Residential Systems	**207.6**	**39.3**	**39.1**	182.6	33.0	32.8
Commercial and Infrastructure Systems (UK)	**184.2**	**29.1**	**29.0**	131.5	20.2	20.1
Inter-segment sales	**(11.0)**	**–**	**–**	(10.2)	–	–
UK operations	**380.8**	**68.4**	**68.1**	303.9	53.2	52.9
Commercial and Infrastructure Systems (Mainland Europe)	**57.9**	**1.3**	**1.3**	50.4	1.2	1.3
Inter-segment sales	**(1.8)**	**–**	**–**	(1.4)	–	–
Non-underlying group items	**–**	**(7.7)**	**–**	–	(5.0)	–
Total – Group	**436.9**	**62.0**	**69.4**	352.9	49.4	54.2
Net finance costs		**(7.6)**	**(7.6)**		(7.9)	(6.2)
Profit before tax		**54.4**	**61.8**		41.5	48.0

* Underlying result is stated before non-underlying items as defined in the Group Accounting Policies on page 86, and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £7.4m (2015: £6.5m) are set out below.

Balance sheet

	31 December 2016		31 December 2015	
	Total Assets £m	**Total Liabilities £m**	Total Assets £m	Total Liabilities £m
Residential Systems	**280.6**	**(60.8)**	280.0	(53.6)
Commercial and Infrastructure Systems (UK)	**245.0**	**(29.1)**	237.0	(20.9)
UK operations	**525.6**	**(89.9)**	517.0	(74.5)
Commercial and Infrastructure Systems (Mainland Europe)	**40.0**	**(9.7)**	37.5	(10.0)
Total segment assets/(liabilities)	**565.6**	**(99.6)**	554.5	(84.5)
Current and deferred income taxes	**–**	**(14.3)**	–	(14.7)
Net debt	**26.5**	**(190.8)**	21.6	(215.9)
Total – Group	**592.1**	**(304.7)**	576.1	(315.1)
Net assets		**287.4**		261.0

5. SEGMENT INFORMATION CONTINUED

Capital additions

	2016 £m	2015 £m
Residential Systems	**8.6**	8.3
Commercial and Infrastructure Systems (UK)	**9.6**	9.3
UK operations	**18.2**	17.6
Commercial and Infrastructure Systems (Mainland Europe)	**1.5**	1.8
Total – Group	**19.7**	19.4

Depreciation of property, plant and equipment

	2016 £m	2015 £m
Residential Systems	**8.3**	7.7
Commercial and Infrastructure Systems (UK)	**6.4**	6.0
UK operations	**14.7**	13.7
Commercial and Infrastructure Systems (Mainland Europe)	**1.6**	1.4
Total – Group	**16.3**	15.1

Non-underlying items

	2016 £m	2015 £m
Residential Systems – profit on disposal of property, plant and equipment	**(0.2)**	(0.2)
Commercial and Infrastructure Systems (UK) – profit on disposal of property, plant and equipment	**(0.1)**	(0.1)
UK operations	**(0.3)**	(0.3)
Commercial and Infrastructure Systems (Mainland Europe) – loss on disposal of property, plant and equipment	**–**	0.1
Group – amortisation of intangible assets	**6.8**	3.0
Group – impairment of freehold land and buildings	**0.9**	–
Group – acquisition costs	**–**	2.0
Group – finance costs	**–**	1.7
Total – Group	**7.4**	6.5

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NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION CONTINUED

Geographical analysis

Revenue by destination	**2016 £m**	2015 £m
UK	**338.3**	276.7
Rest of Europe	**63.7**	54.2
Rest of World	**34.9**	22.0
Total – Group	**436.9**	352.9

Non-current assets	**2016 £m**	2015 £m
UK	**450.1**	455.0
Rest of Europe	**22.5**	21.5
Total – Group	**472.6**	476.5

Non-current assets for this purpose consist of property, plant and equipment, goodwill and other intangible assets.

The Group has three customers which individually account for more than 10% of the Group's total revenue during 2016. These customers account for 12.5%, 11.1% and 9.4% respectively, and are included in both reporting segments.

6. OPERATING PROFIT

	2016 £m	2015 £m
Income statement charges		
Depreciation of property, plant and equipment (owned)	**16.3**	15.1
Cost of inventories recognised as an expense	**256.8**	210.0
Operating lease payments – minimum lease payments	**4.9**	3.6
Research and development costs written off	**0.5**	0.3
Income statement credits		
Profit on disposal of property, plant and equipment	**0.3**	0.2

7. AUDITOR'S REMUNERATION

The Group paid the following amounts to the Company's auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Auditor's remuneration for audit services:

	2016 £m	2015 £m
Audit of the Company's annual financial statements	**–**	–
Audit of the Company's subsidiaries	**0.3**	0.2
Total audit fees	**0.3**	0.2

Auditor's remuneration for non-audit services:

	2016 £m	2015 £m
Total non-audit fees	**–**	0.6

8. NON-UNDERLYING ITEMS

Non-underlying items comprise:

	2016			2015		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Administration expenses:						
Acquisition costs	**–**	**–**	**–**	2.0	–	2.0
Profit on disposal of property, plant and equipment	**(0.3)**	**–**	**(0.3)**	(0.2)	–	(0.2)
Impairment of freehold land and buildings	**0.9**	**–**	**0.9**	–	–	–
Amortisation of intangible assets	**6.8**	**(1.6)**	**5.2**	3.0	(0.5)	2.5
Finance costs:						
Unamortised debt issue costs relating to refinanced debt written off	**–**	**–**	**–**	1.7	(0.3)	1.4
Tax:						
Adjustment in respect of prior years' current income tax	**–**	**–**	**–**	–	(0.8)	(0.8)
Effect of changes in income tax rates on prior years' deferred income tax	**–**	**–**	**–**	–	(0.2)	(0.2)
Total non-underlying items	**7.4**	**(1.6)**	**5.8**	6.5	(1.8)	4.7

9. STAFF COSTS

Staff costs (including Directors) for the year were:

	2016 £m	2015 £m
Wages and salaries	**86.8**	70.0
Social security costs	**10.0**	8.5
Other pension costs	**2.7**	1.7
Total – Group	**99.5**	80.2

The average monthly number of persons employed by the Group during the year by segment was as follows:

	2016 No.	2015 No.
Residential Systems	**1,537**	1,422
Commercial and Infrastructure Systems (UK)	**1,151**	842
UK operations	**2,688**	2,264
Commercial and Infrastructure Systems (Mainland Europe)	**250**	247
Total – Group	**2,938**	2,511

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10. DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out below:

	2016 £'000	2015 £'000
Fees	**282**	299
Emoluments	**1,828**	1,465
Group contributions to money purchase pension scheme	**–**	–
	2,110	1,764

11. NET FINANCE COSTS

	2016			2015		
	Underlying £m	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Bank interest income	**–**	**–**	**–**	0.1	–	0.1
Finance revenues	**–**	**–**	**–**	0.1	–	0.1
Interest on bank loan	**6.6**	**–**	**6.6**	5.4	–	5.4
Debt issue cost amortisation	**0.4**	**–**	**0.4**	0.4	–	0.4
Other finance costs	**0.6**	**–**	**0.6**	0.5	–	0.5
Unamortised debt issue costs relating to refinanced debt written off	**–**	**–**	**–**	–	1.7	1.7
Finance costs	**7.6**	**–**	**7.6**	6.3	1.7	8.0
Net finance costs	**7.6**	**–**	**7.6**	6.2	1.7	7.9

12. INCOME TAX

(a) Tax charged in the income statement

	2016 £m	2015 £m
Current income tax:		
UK income tax	**12.4**	8.0
Overseas income tax	**0.1**	0.2
Current income tax charge	**12.5**	8.2
Adjustment in respect of prior years	**–**	(0.8)
Total current income tax	**12.5**	7.4
Deferred income tax:		
Origination and reversal of temporary differences	**(2.0)**	0.1
Effect of changes in income tax rates	**(0.3)**	(0.1)
Total deferred income tax	**(2.3)**	–
Tax expense in the income statement	**10.2**	7.4

Details of the non-underlying tax credit of £1.6m (2015: £1.8m) are set out in Note 8.

12. **INCOME TAX** CONTINUED

(b) Reconciliation of the total tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2016 and 2015 is as follows:

	2016 £m	2015 £m
Accounting profit before tax	**54.4**	41.5
Accounting profit multiplied by the UK standard rate of income tax of 20.0% (2015: 20.25%)	**10.9**	8.4
Expenses not deductible for income tax	**0.7**	0.8
Non-taxable income	**(0.1)**	(0.4)
Share-based payments	**(0.3)**	–
Adjustments in respect of current income tax of previous years	**–**	(0.8)
Effects of patent box	**(0.7)**	(0.4)
Effects of other tax rates / credits	**(0.3)**	(0.2)
Total tax expense reported in the income statement	**10.2**	7.4

The effective rate for the full year was 18.8% (2015: 17.8%). If the impact of non-underlying costs is excluded, the underlying income tax rate would be 19.1% (2015: 19.2%).

(c) Deferred income tax

The deferred income tax included in the Group balance sheet is as follows:

	2016 £m	2015 £m
Deferred income tax liabilities		
Short-term timing differences	**6.3**	8.3
Capital allowances in excess of depreciation	**1.4**	1.7
Share-based payments	**(0.4)**	–
	7.3	10.0

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority.

(d) Change in corporation tax rate

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 20%, which was applied from 1 April 2015, to 19% from 1 April 2017 and 17% from 1 April 2020. The reduction in the corporation tax rate to 17% was included within the UK Finance Act 2016 that was enacted in September 2016.

Deferred income tax is measured at income tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on income tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax has therefore been provided at 17%.

(e) Unrecognised tax losses

A deferred income tax asset of £1.0m (2015: £1.0m) in respect of surplus non-trading losses of £5.5m (2015: £5.6m), has not been recognised at 31 December 2016 as its recovery is uncertain.

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FOR THE YEAR ENDED 31 DECEMBER 2016

13. DIVIDENDS PER SHARE

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2015 of 5.5p per share (2014: 3.0p)	**11.0**	6.0
Interim dividend for the year ended 31 December 2016 of 3.1p per share (2015: 2.3p)	**6.1**	4.6
	17.1	10.6
Proposed final dividend for the year ended 31 December 2016 of 7.0p per share (2015: 5.5p)	**13.9**	10.9

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

14. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share is based on the following:

Number of shares

	2016 £m	2015 £m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**198,930,384**	199,267,136
Share options	**1,053,339**	540,243
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**199,983,723**	199,807,379

Underlying earnings per share is based on the result for the year after tax, excluding the impact of non-underlying items, of £50.0m (2015: £38.8m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	2016	2015
Underlying profit for the year attributable to the owners of the parent company (£m)	**50.0**	38.8
Underlying basic earnings per share (pence)	**25.1**	19.5
Underlying diluted earnings per share (pence)	**25.0**	19.4

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost			
At 1 January 2015	44.0	130.3	174.3
Additions	1.8	17.6	19.4
Acquisition of businesses	2.6	2.6	5.2
Disposals	–	(2.0)	(2.0)
Exchange adjustment	(0.3)	(1.5)	(1.8)
At 31 December 2015	48.1	147.0	195.1
Additions	1.2	18.5	19.7
Disposals	–	(3.2)	(3.2)
Reclassified as assets held for sale	(3.2)	–	(3.2)
Exchange adjustment	1.0	4.6	5.6
At 31 December 2016	47.1	166.9	214.0
Depreciation and impairment losses			
At 1 January 2015	9.0	76.1	85.1
Provided during the year	1.3	13.8	15.1
Disposals	–	(1.8)	(1.8)
Exchange adjustment	(0.2)	(1.2)	(1.4)
At 31 December 2015	10.1	86.9	97.0
Provided during the year	1.4	14.9	16.3
Disposals	–	(3.1)	(3.1)
Impairment	0.9	–	0.9
Reclassified as assets held for sale	(2.5)	–	(2.5)
Exchange adjustment	0.7	3.7	4.4
At 31 December 2016	10.6	102.4	113.0
Net book value:			
At 31 December 2016	**36.5**	**64.5**	**101.0**
At 31 December 2015	38.0	60.1	98.1

The impairment charge of £0.9m relates to surplus freehold land and buildings at Wolverhampton that is being actively marketed and writes down its carrying amount to £0.7m being its fair value less costs to sell. The written down asset has been reclassified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Included in freehold land and buildings is non-depreciable land of £13.0m (2015: £13.0m).

Polypipe

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FOR THE YEAR ENDED 31 DECEMBER 2016

16. INTANGIBLE ASSETS

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Customer order book £m	Total £m
Cost						
At 1 January 2015	235.0	–	–	–	–	235.0
Acquisition of businesses	94.3	18.2	25.5	6.4	2.0	146.4
At 31 December 2015	329.3	18.2	25.5	6.4	2.0	381.4
At 31 December 2016	329.3	18.2	25.5	6.4	2.0	381.4
Amortisation and impairment						
At 1 January 2015	–	–	–	–	–	–
Charge for the year	–	0.7	1.0	0.5	0.8	3.0
At 31 December 2015	–	0.7	1.0	0.5	0.8	3.0
Charge for the year	–	1.8	2.6	1.2	1.2	6.8
At 31 December 2016	–	2.5	3.6	1.7	2.0	9.8
Net book value:						
At 31 December 2016	**329.3**	**15.7**	**21.9**	**4.7**	**–**	**371.6**
At 31 December 2015	329.3	17.5	24.5	5.9	1.2	378.4

Goodwill is not amortised but is subject to annual impairment testing.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to a number of cash-generating units (CGUs). These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill allocated to each of the CGUs:

CGU

	31 December 2016 £m	31 December 2015 £m
Building Products	**146.1**	146.1
Terrain	**31.4**	31.4
Civils	**36.0**	36.0
Nuaire	**91.3**	91.3
Others	**24.5**	24.5
	329.3	329.3

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value in use. Value in use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and growth of between 2% to 3% thereafter (2015: 2% to 3%).

A pre-tax discount rate of 10.0% (2015: 10.7%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

16. INTANGIBLE ASSETS CONTINUED

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. In the case of Polypipe France's goodwill of £9.6m (2015: £9.6m), included in "others", this would be fully impaired if the revenue growth rate assumption from 2017 onwards of between 2.5% and 3.4% per annum, which is based on Euroconstruct and OECD forecasts, proved to be optimistic and revenue decline of between -1.5% and -2.4% per annum was achieved. Polypipe France's goodwill would also be fully impaired if the assumed revenue growth rates were achieved but the contribution margin fell by 320 bps due to competitive pressures. Goodwill would also be impaired through a combination of these sensitivities. The value in use of Polypipe France is calculated in Euros whereas the goodwill balance is denominated in Pounds Sterling. Accordingly, any movement in the Pounds Sterling exchange rate versus Euros may, amongst other factors, impact the Polypipe France goodwill impairment test.

17. ACQUISITIONS

There were no acquisitions during the year ended 31 December 2016. The notes below relate to acquisitions that took place in 2015.

Surestop

On 30 January 2015 the Group acquired 100% of the share capital of Surestop Limited, a company which manufactures and supplies a range of patented water mains switch-off devices. The cash consideration of £6.0 million included a payment of £0.8 million for net cash at completion.

Details of the acquisition are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	–	1.7	1.7
Plant and equipment	0.7	–	0.7
Inventories	0.1	–	0.1
Trade and other receivables	0.5	–	0.5
Cash	0.8	–	0.8
Trade and other payables	(0.4)	–	(0.4)
Income tax liabilities	(0.1)	–	(0.1)
Deferred income tax	–	(0.3)	(0.3)
Net identifiable assets	**1.6**	**1.4**	**3.0**
Goodwill on acquisition			3.0
Total consideration			**6.0**

Patents and the 'Surestop' brand have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and related deferred income tax. The goodwill arising on the acquisition primarily represents the assembled workforce, technical expertise and market share.

Post-acquisition Surestop contributed £2.1m revenue and £0.8m operating profit during the year ended 31 December 2015 which was included in the Group income statement. If Surestop had been acquired on 1 January 2015 the Group's results for the year ended 31 December 2015 would have shown revenue of £353.1m and underlying operating profit of £54.2m.

NOTES TO THE GROUP FINANCIAL STATEMENTS
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17. ACQUISITIONS CONTINUED

Nuaire

On 18 August 2015 the Group acquired 100% of the share capital of Nu-Oval Acquisitions 1 Limited (Nuaire), a leading provider of ventilation solutions. The cash consideration of £149.2 million included a payment of £4.9 million for net cash at completion.

Details of the acquisition are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	–	50.4	50.4
Plant and equipment	4.7	(0.2)	4.5
Investments	0.2	(0.2)	–
Inventories	6.0	–	6.0
Trade and other receivables	11.1	–	11.1
Cash	4.9	–	4.9
Trade and other payables	(9.1)	(0.7)	(9.8)
Income tax liabilities	(0.4)	–	(0.4)
Deferred income tax	0.2	(9.0)	(8.8)
Net identifiable assets	**17.6**	**40.3**	**57.9**
Goodwill on acquisition			91.3
Total consideration			**149.2**

Patents, the 'Nuaire' brand, customer relationships and the customer order book have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally relate to the recognition of intangible assets and related deferred income tax and the application of fair values on acquisition. The goodwill arising on the acquisition primarily represents the assembled workforce, technical expertise and market share.

Post-acquisition Nuaire has contributed £21.9m revenue and £3.2m operating profit during the year ended 31 December 2015 which was included in the Group income statement. If Nuaire had been acquired on 1 January 2015 the Group's results for the year ended 31 December 2015 would have shown revenue of £395.4m and underlying operating profit of £62.9m.

18. INVESTMENTS

Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 December 2016 are set out in Note 4 to the parent company financial statements.

19. ASSETS HELD FOR SALE

Assets held for sale comprise:

	31 December 2016 £m	31 December 2015 £m
Property, plant and equipment	**0.7**	–

Assets held for sale consist exclusively of freehold land currently not in use by the Group. It is expected that the disposal of this asset will be completed during 2017. The assets held for sale are analysed between operating segments as follows:

	31 December 2016 £m	31 December 2015 £m
Residential Systems	**0.4**	–
Commercial and Infrastructure Systems (UK)	**0.3**	–
	0.7	–

20. INVENTORIES

	31 December 2016 £m	31 December 2015 £m
Raw materials	**17.4**	15.9
Work in progress	**6.1**	4.6
Finished goods	**28.7**	27.0
	52.2	47.5

All inventories are carried at cost less a provision to take account of slow moving and obsolete items. The provision as at 31 December 2016 is £6.1m (2015: £6.2m).

21. TRADE AND OTHER RECEIVABLES

	31 December 2016 £m	31 December 2015 £m
Trade receivables	**34.9**	25.7
Other receivables	**1.2**	1.2
Prepayments and accrued income	**4.0**	3.6
	40.1	30.5

Trade receivables are non-interest bearing and are generally on 30 days' credit.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES CONTINUED

Impairment losses

The Group maintains a substantial level of credit insurance covering the majority of its trade receivables which mitigates against possible impairment losses. Therefore, such impairment losses are not significant.

The ageing of trade receivables at the balance sheet date was:

	31 December 2016			31 December 2015		
	Gross £m	**Provisions £m**	**Net £m**	Gross £m	Provisions £m	Net £m
Not past due	**31.1**	**–**	**31.1**	24.2	–	24.2
Past due 1–30 days	**2.1**	**–**	**2.1**	0.6	–	0.6
Past due 31–90 days	**2.0**	**(0.3)**	**1.7**	0.9	–	0.9
Past due more than 90 days	**0.3**	**(0.3)**	**–**	0.6	(0.6)	–
	35.5	**(0.6)**	**34.9**	26.3	(0.6)	25.7

The movements in provisions for impairment of trade receivables were as follows:

	£m
At 31 December 2014 and 2015	0.6
Charged to the income statement during the year	–
Utilised during the year	–
At 31 December 2016	**0.6**

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2016 £m	31 December 2015 £m
Cash at bank and in hand	**26.5**	21.6

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group only deposits cash surpluses with banks that have as a minimum a single A credit rating.

23. SHARE CAPITAL AND RESERVES

Share capital

	2016		2015	
	Number*	**£**	Number*	£
Authorised share capital:				
Ordinary shares of £0.001 each	**200**	**200,000**	200	200,000
Allotted, called up and fully paid:				
Ordinary shares of £0.001 each	**200**	**200,000**	200	200,000

* Millions of shares

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Capital redemption reserve

Following the consolidation and sub-division of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital a transfer was made from retained earnings to a capital redemption reserve.

23. SHARE CAPITAL AND RESERVES CONTINUED

Treasury shares

Treasury shares represent the cost of Polypipe Group plc shares purchased in the market and held by the Company, and/or the EBT, to satisfy the future exercise of options under the Group's share option schemes. At 31 December 2016 the Group held 1,714,148 (2015: 730,478) of its own shares at an average cost of 268p (2015: 234p) per share. The market value of the shares at 31 December 2016 was £5.6m (2015: £2.5m). The nominal value of each share is £0.001.

The EBT did not hold any shares at 31 December 2016 (2015: nil).

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group.

Foreign currency retranslation reserve

The foreign currency retranslation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure to support its business objectives and maximise shareholder value. The Group regards shareholders' equity and net debt as its capital. The Group's net debt is defined as cash and cash equivalents, loans and borrowings and derivative financial assets and liabilities.

At 31 December 2016 the Group had bank debt of £192.0m (2015: £217.5m), an undrawn committed revolving credit facility of £108.0m (2015: £82.5m) and cash of £26.5m (2015: £21.6m). A key objective of the Group is to maintain sufficient liquidity (cash and committed bank facilities) in order to meet its cash commitments including interest payments due on that debt.

No changes were made to the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

24. SHARE-BASED PAYMENTS

Share options were granted by the Company under its various share option schemes as detailed in the table below:

	Exercise price £	31 December 2015 Number	Granted Number	Exercised Number	Lapsed / forfeited Number	**31 December 2016 Number**	Date first exercisable	Expiry date
2014 SAYE (granted 2014)	1.99	1,593,183	–	(16,330)	(89,773)	**1,487,080**	8 Sept 2017	8 March 2018
2014 SAYE (granted 2016)	2.21	–	1,422,700	–	(7,003)	**1,415,697**	15 Sept 2019	15 March 2020
2014 LTIP (granted 2014)	Nil	36,314	–	–	–	**36,314**	8 Sept 2017	8 Sept 2024
2014 LTIP (granted 10 May 2016)	Nil	–	552,803	–	–	**552,803**	10 May 2019	10 May 2026
2014 LTIP (granted 31 May 2016)	Nil	–	77,743	–	–	**77,743**	31 May 2019	31 May 2026
Deferred Share Bonus Plan 2015	Nil	64,956	–	(22,155)	–	**42,801**	28 April 2017	28 April 2018
Deferred Share Bonus Plan 2016	Nil	–	47,302	(16,128)	–	**31,174**	26 April 2018	26 April 2019
Other share awards – CFO buyout arrangement 2016	Nil	–	95,183	(50,601)	–	**44,582**	23 July 2017	16 May 2026
		1,694,453	2,195,731	(105,214)	(96,776)	**3,688,194**		

NOTES TO THE GROUP FINANCIAL STATEMENTS

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24. SHARE-BASED PAYMENTS CONTINUED

SAYE

SAYE options were granted to eligible employees on 15 September 2016 at an exercise price of £2.21 per share, a 20% discount to the average share price over the three days preceding the offer. Participating employees can exercise their options to purchase the shares acquired through their savings plans at the option price after three years. These options have an exercise date of 2019 to 2020.

LTIP

LTIP's were awarded to a number of senior executives on 10 May 2016 and 31 May 2016. These options have an exercise date of 2019 to 2026. The vesting of each award is subject to the satisfaction of certain performance criteria of which 25% is based on total shareholder return (the TSR element) and 75% is based on earnings per share performance (the EPS element). Further details of the scheme are provided in the Annual Report on Remuneration.

Deferred share bonus plan

On 26 April 2016, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2015 annual bonus. Peter Shepherd's deferred bonus share awards vested upon cessation of employment on 3 June 2016 in accordance with the Group's standard policy for good leavers, and were settled in cash.

Other share awards

Other share awards in the form of nil cost options were made relating to buy-out arrangements to partially compensate the Chief Financial Officer for bonus and long-term incentive awards which were forfeited when he left his previous employer. Further details are provided in the Annual Report on Remuneration.

All these equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled, share-based payments is expensed to the income statement on a straight-line basis over the vesting period, based on the Group's estimates of shares that will eventually vest, with a corresponding adjustment to equity. Fair value for the SAYE options and the EPS element of the LTIP's is measured by use of a Black-Scholes model. Fair value of the TSR element of the LTIP's is measured by use of a Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The assumptions used for each share-based payment are as follows:

	2014 LTIP granted 10 May 2016	2014 LTIP granted 31 May 2016	2014 SAYE granted 2016
Share price at date of grant	£2.87	£3.18	£2.77
Exercise price	Nil	Nil	£2.21
Shares under option	552,803	77,743	1,422,700
Vesting period (years)	3	3	3.25
Expected volatility	25.4%	25.6%	26.7%
Median volatility of the comparator group	26.1%	26.0%	n/a
Expected life (years)	3	3	3.25
Risk free rate	0.50%	0.58%	0.18%
Dividend yield	2.80%	2.53%	3.35%
TSR performance of the Company at the date of grant	(3.3%)	7.4%	n/a
Median TSR performance of the comparator group at the date of grant	(1.6%)	2.8%	n/a
Correlation (median)	13.4%	13.4%	n/a
Fair value per option (£)	£2.323	£2.650	£0.604

The expected volatility is based on historical share price movements. The Directors anticipate it is possible the performance criteria in relation to the LTIP may not be met.

24. SHARE-BASED PAYMENTS CONTINUED

	2016 £m	2015 £m
Charge for the year	**1.3**	0.4

25. TRADE AND OTHER PAYABLES

	31 December 2016 £m	31 December 2015 £m
Trade payables	**66.6**	59.5
Other taxes and social security costs	**11.4**	10.0
Accruals	**13.8**	10.8
	91.8	80.3

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms.

26. FINANCIAL LIABILITIES

	31 December 2016 £m	31 December 2015 £m
Non-current loans and borrowings:		
Bank loan – principal	**192.0**	217.5
– unamortised debt issue costs	**(1.2)**	(1.6)
Total non-current loans and borrowings	**190.8**	215.9
Other financial liabilities:		
Trade and other payables	**91.8**	80.3
Forward foreign currency derivatives	**1.5**	0.1
Interest rate swaps	**4.2**	2.1
Other liabilities	**2.1**	2.0
	99.6	84.5

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NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL LIABILITIES CONTINUED

Bank loan

The bank loan, which is a revolving credit facility, is secured and expires in full in August 2020. Interest is payable on the bank loan at LIBOR plus an interest margin ranging from 1.25% to 2.75% which is dependent on the Group's leverage (net debt as a multiple of EBITDA) and reduces as the Group's leverage reduces. The interest margin at the 31 December 2016 was 2.00% (2015: 2.25%).

At 31 December 2016, the Group had available, subject to covenant headroom, £108.0m (2015: £82.5m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met at 31 December 2016.

£10m of the £300m revolving credit facility was reviewed at 31 December 2016 and the revolving credit facility was not reduced by £10m since the leverage ratio (Net debt:EBITDA) at 31 December 2016 was less than or equal to 2.25:1. The facility will reduce by £10m each year, regardless of leverage, at 31 December 2017, 2018 and 2019; the remainder is available until August 2020.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt as a multiple of EBITDA and interest cover. At 31 December 2016 the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	Covenant requirement	Position at 31 December 2016
Interest cover (Underlying operating profit:Net finance costs excluding debt issue cost amortisation)	>4.00:1	9.7:1
Leverage (Net debt:EBITDA)	<3.25:1	1.9:1

The interest cover covenant remains at 4.0:1 throughout the duration of the revolving credit facility. The leverage covenant reduces to 3.0:1 at 30 September 2017 and remains at that level until August 2020.

27. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into commercial leases on certain properties and plant and equipment. These leases have an average life of between 5 to 10 years.

Future minimum rentals payable under non-cancellable operating leases were as follows:

	31 December 2016 £m	31 December 2015 £m
Land and buildings		
Within one year	**0.3**	0.1
After one year, but not more than five years	**3.1**	0.8
More than five years	**9.5**	10.6
	12.9	11.5

	£m	£m
Other		
Within one year	**0.2**	0.2
After one year, but not more than five years	**2.9**	2.8
More than five years	**3.2**	1.7
	6.3	4.7

Capital commitments

At 31 December 2016, the Group had commitments of £6.5m (2015: £3.9m) relating to plant and equipment purchases.

28. RELATED PARTY TRANSACTIONS

Compensation of key management personnel (including Directors)

	2016 £m	2015 £m
Short-term employee benefits	**2.7**	2.4
Post-employment benefits	**0.2**	0.1
Share-based payments	**0.2**	–
	3.1	2.5

Key management personnel comprise the Executive Directors and key divisional managers.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables and cash that are derived directly from its operations.

The Group is exposed to interest rate cash flow, foreign currency exchange, credit and liquidity risk.

The Group's senior management oversees the mitigation of these risks which are summarised on the following page.

Interest rate cash flow risk

The interest rate on the Group's £300m revolving credit facility is variable, being payable at LIBOR plus a margin. To reduce the Group's exposure to future increases in interest rates the Group has entered into interest rate swaps for the following notional amounts, with interest payable at a fixed rate return dependant on the swap of either 2.21% or 1.735% (2015: 2.21% or 1.735%) (excluding margin):

Year ended 31 December	**Notional amount – rate of 2.21% £m**	**Notional amount – rate of 1.735% £m**
2017	70.2	10.7
2018	66.6	25.1
2019	–	82.0
To August 2020	–	72.2

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

The Group enters into forward foreign currency exchange contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates primarily in respect of US Dollar and Euro receipts.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency exchange sensitivity

The table below demonstrates the sensitivity to a 10% change in the Euro exchange rate versus Pounds Sterling, the presentational currency of the Group used for translation purposes, on the net assets and profit after tax of the Group. The Group's exposure to foreign currency exchange rate changes for all other currencies is not material.

Change in exchange rate	Effect on net assets £m	Effect on profit after tax £m
2016		
10% strengthening of Pounds Sterling: against Euro	**(1.4)**	**(0.1)**
10% weakening of Pounds Sterling: against Euro	**1.8**	**0.1**
2015		
10% strengthening of Pounds Sterling: against Euro	(1.1)	–
10% weakening of Pounds Sterling: against Euro	1.4	–

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks.

Trade receivables

Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each balance sheet date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the balance sheet date is the carrying amount of each class of financial assets as disclosed in Note 21.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. At 31 December 2016, 75.3% (2015: 79.4%) of net trade receivables were covered by credit insurance which is subject to the normal policy deductibles.

Financial instruments and cash deposits

The Group maintains strong liquidity through cash balances and deposits (£26.5m at 31 December 2016) and its undrawn £108.0m committed revolving credit facility which matures in August 2020.

Credit risk arising from cash deposits with banks is managed in accordance with the Group's established treasury policy, procedures and controls. Deposits of surplus funds are made only with banks that have as a minimum a single A credit rating. The Group's maximum exposure to credit risk for the components of the balance sheet at 31 December 2016 and 31 December 2015 is the carrying amounts as illustrated in Note 22.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group had cash and cash equivalents of £26.5m at 31 December 2016, £108.0m of undrawn and committed credit facilities and no debt maturities within twelve months.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2016

	< 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Bank loan	–	–	192.0	192.0
Other financial liabilities:				
Forward foreign currency derivatives	0.8	0.6	0.1	1.5
Interest rate swaps	–	–	4.2	4.2
Trade and other payables	91.8	–	–	91.8
Other liabilities	–	–	2.1	2.1
	92.6	0.6	198.4	291.6

Year ended 31 December 2015

	< 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Bank loan	–	–	217.5	217.5
Other financial liabilities:				
Forward foreign currency derivatives	0.1	–	–	0.1
Interest rate swaps	–	–	2.1	2.1
Trade and other payables	80.3	–	–	80.3
Other liabilities	–	–	2.0	2.0
	80.4	–	221.6	302.0

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NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Fair values of financial assets and financial liabilities

The book value of trade and other receivables, trade and other payables, cash balances, bank loan and other liabilities equates to fair value.

The table below sets out the Group's accounting classification of its other financial assets and liabilities and their carrying amounts and fair values.

	Carrying value £m	Fair value £m
Forward foreign currency derivatives	**1.5**	**1.5**
Interest rate swaps	**4.2**	**4.2**
Interest bearing loans and borrowings due after more than one year	**190.8**	**190.8**
Total at 31 December 2016	**196.5**	**196.5**

	Carrying value £m	Fair value £m
Forward foreign currency derivatives	0.1	0.1
Interest rate swaps	2.1	2.1
Interest bearing loans and borrowings due after more than one year	215.9	215.9
Total at 31 December 2015	218.1	218.1

The fair value of the interest rate swaps were determined by reference to market values.

Forward foreign currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair values disclosed above all relate to items categorised as Level 2.

There have been no transfers in any direction in the years ended 31 December 2016 and 2015.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COMPANY BALANCE SHEET

AT 31 DECEMBER 2016

	Notes	31 December 2016 £m	31 December 2015 £m
Non-current assets			
Investments	4	**233.3**	232.7
Current assets			
Amounts owed by subsidiary undertakings and other receivables	5	**74.0**	65.3
Total assets		**307.3**	298.0
Current liabilities			
Amounts owed to subsidiary undertakings and other payables	6	**(60.8)**	(37.5)
Net assets		**246.5**	260.5
Capital and reserves			
Equity share capital	7	**0.2**	0.2
Capital redemption reserve	7	**1.1**	1.1
Treasury shares	7	**(4.6)**	(1.7)
Retained earnings		**249.8**	260.9
Total equity		**246.5**	260.5

Included within retained earnings is profit for the year of £5.0m (2015: £4.7m).

The financial statements were approved for issue by the Board of Directors and signed on its behalf by:

M K Payne
Director
30 March 2017

Company Registration No. 06059130

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Equity share capital £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total equity £m
At 31 December 2014	0.2	1.1	(1.7)	266.4	266.0
Profit for the year	–	–	–	4.7	4.7
Total comprehensive income for the year	–	–	–	4.7	4.7
Dividends paid	–	–	–	(10.6)	(10.6)
Share-based payments	–	–	–	0.4	0.4
At 31 December 2015	0.2	1.1	(1.7)	260.9	260.5
Profit for the year	–	–	–	5.0	5.0
Total comprehensive income for the year	–	–	–	5.0	5.0
Dividends paid	–	–	–	(17.1)	(17.1)
Purchase of own shares	–	–	(2.9)	–	(2.9)
Share-based payments charge	–	–	–	1.3	1.3
Share-based payments settled	–	–	–	(0.3)	(0.3)
At 31 December 2016	**0.2**	**1.1**	**(4.6)**	**249.8**	**246.5**

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £m	2015 £m
Operating activities		
Profit before tax	**4.9**	4.7
Net finance revenues	**(8.7)**	(7.6)
Operating loss	**(3.8)**	(2.9)
Non-cash items: Share-based payments	**0.4**	–
Operating cash flows before movement in working capital	**(3.4)**	(2.9)
Movement in working capital:		
Receivables	**–**	(0.1)
Payables	**0.1**	–
Inter-group balances	**14.6**	6.0
Net cash flows from operating activities	**11.3**	3.0
Investing activities		
Interest received	**8.7**	7.6
Net cash flows from investing activities	**8.7**	7.6
Financing activities		
Purchase of own shares	**(2.9)**	–
Dividends paid	**(17.1)**	(10.6)
Net cash flows from financing activities	**(20.0)**	(10.6)
Net change in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. AUTHORISATION OF FINANCIAL STATEMENTS

The parent company financial statements of Polypipe Group plc (the "Company") for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 30 March 2017 and the balance sheet was signed on the Board's behalf by M K Payne.

Polypipe Group plc is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Company is that of a holding company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the historical financial information for the year ended 31 December 2016 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

2.1 Basis of preparation and statement of compliance with IFRSs

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union regulations as they apply to the financial statements of the Company for the year ended 31 December 2016 and also in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company's financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Polypipe Group plc are included in the consolidated financial statements of Polypipe Group plc.

2.2 Going concern

The Directors, having considered all relevant risk factors, believe the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Investments

Investments in subsidiary undertakings are held at historical cost less any applicable provision for impairment.

2.4 Share-based payments

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual financial statements. In particular, the Company records an increase in its investment in subsidiaries with a corresponding adjustment to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

2.5 Treasury shares

The Company operates an employee benefit trust (EBT). The Company, and/or the EBT, holds Polypipe Group plc shares for the granting of Polypipe Group plc shares to employees and Directors. These treasury shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. No dividends are earned on these shares.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. DIVIDENDS PER SHARE

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2015 of 5.5p per share (2014: 3.0p)	**11.0**	6.0
Interim dividend for the year ended 31 December 2016 of 3.1p per share (2015: 2.3p)	**6.1**	4.6
	17.1	10.6
Proposed final dividend for the year ended 31 December 2016 of 7.0p per share (2015: 5.5p)	**13.9**	10.9

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

4. INVESTMENTS

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2015	232.3
Additions – share-based payments	0.4
At 31 December 2015	232.7
Additions – share-based payments	0.6
At 31 December 2016	233.3
Net book value:	
At 31 December 2016	**233.3**
At 31 December 2015	232.7
At 1 January 2015	232.3

In 2016, an adjustment in respect of share-based payments of £0.6m (2015: £0.4m) was made to shares in subsidiary undertakings, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date is £1.1m (2015: £0.5m).

The companies in which the Company has an interest at 31 December 2016 are shown below:

Name of company	**Country of incorporation**	**Holding**	**Proportion of voting rights and shares held**
Ferrob Ventilation Ltd[1]	England & Wales	Ordinary £1	100%*
Hayes Pipes (Ulster) Limited[2]	Northern Ireland	Ordinary £1	100%*
Home Ventilation (Ireland) Limited[3]	Northern Ireland	Ordinary £1	100%*
Insulated Damp-Proof Course Limited[1]	England & Wales	Ordinary £1	100%*
Mason Pinder (Toolmakers) Limited[1]	England & Wales	Ordinary £1	100%*
Mr Plumber Limited[1]	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 1 Limited[1]	England & Wales	Ordinary £0.94 - £1	100%*
Nu-Oval Acquisitions 2 Limited[1]	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 3 Limited[1]	England & Wales	Ordinary £1	100%*
Nuaire Limited[1]	England & Wales	Ordinary £1	100%*
Nuhold Limited[1]	England & Wales	Ordinary £0.1	100%*

4. INVESTMENTS CONTINUED

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Oracstar Limited[1]	England & Wales	Ordinary £1	100%*
Oval (1888) Limited[1]	England & Wales	Ordinary £0.01	100%*
Plumbexpress Limited[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings Plc[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings 1 Plc[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings 2 Limited[1]	England & Wales	Ordinary £1	100%*
Pipe Luxembourg Sarl[4]	Luxembourg	Ordinary £1	100%
Polypipe Building Products Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Commercial Building Systems Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Civils Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe France SAS[5]	France	Ordinary €200	100%*
Polypipe France Holding SAS[5]	France	Ordinary €1.76	100%*
Polypipe Holdings (Ireland) Limited[6]	Republic of Ireland	Ordinary £1	100%*
Polypipe (Ireland) Ltd[2]	Northern Ireland	Ordinary £1	100%*
Polypipe Middle East FZE[7]	Dubai	Ordinary 1m UAE Dirhams	100%*
Polypipe Italia SRL[8]	Italy	Ordinary €0.52	100%*
Polypipe Limited[1]	England & Wales	Ordinary £0.1	100%*
Polypipe Terrain Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Terrain Holdings Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe T.D.I. Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Trading Limited[1]	England & Wales	Ordinary £0.1	100%*
Polypipe (Ulster) Limited[2]	Northern Ireland	Ordinary £1	100%*
Polypipe Ventilation Limited[1]	England & Wales	Ordinary £1	100%*
Robimatic Limited[1]	England & Wales	Ordinary £1	100%*
Surestop Limited[1]	England & Wales	Ordinary £1	100%*
Water Management Solutions LLC[9]	Qatar	Ordinary 1,000 Qatari Riyals	49%*

All the companies operate principally in their country of registration and in the same class of business as the Group. The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.

Registered office of subsidiaries

1. Broomhouse Lane, Edlington, Doncaster, South Yorkshire, DN12 1ES
2. Dromore Road, Lurgan, Co. Armagh, BT66 7HL
3. 19 Bedford Street, Belfast, BT2 7EJ
4. 5 Rue Guillaume Kroll, L-1882 Luxembourg
5. 11, rue d'Altkirch, F-68580 Seppois-Le-Bas, France
6. 1 Ontario Terrace, Portobello Bridge, Rathmines, Dublin 6, Ireland
7. PO Box 18679, Showroom A2 SR 07, First Al Khail Street, Jebel Ali Free Zone, Dubai, United Arab Emirates
8. Localita Pianmercato 5C-5D, 16044 Cicagna (GE), Italy
9. Level 15, Commercial Bank Plaza, West Bay, Doha, Qatar

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. AMOUNTS OWED BY SUBSIDIARY UNDERTAKINGS AND OTHER RECEIVABLES

	31 December 2016 £m	31 December 2015 £m
Amounts owed by subsidiary undertakings	**73.8**	65.2
Deferred tax	**0.1**	–
Other receivables	**0.1**	0.1
	74.0	65.3

6 AMOUNTS OWED TO SUBSIDIARY UNDERTAKINGS AND OTHER PAYABLES

	31 December 2016 £m	31 December 2015 £m
Amounts owed to subsidiary undertakings	**60.6**	37.4
Other payables	**0.2**	0.1
	60.8	37.5

7. SHARE CAPITAL AND RESERVES

Share capital

	2016		2015	
	Number*	**£**	Number*	£
Authorised share capital:				
Ordinary shares of £0.001 each	**200**	**200,000**	200	200,000
Allotted, called up and fully paid:				
Ordinary shares of £0.001 each	**200**	**200,000**	200	200,000

* Millions of shares

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Details of share options in issue on the Company's share capital and share-based payments are set out in Note 24 to the Group's consolidated financial statements.

Capital redemption reserve

Following the consolidation and sub-division of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital a transfer was made from retained earnings to a capital redemption reserve.

Treasury shares

The Company, and/or the EBT, holds own shares for the granting of Polypipe Group plc shares to employees and Directors. These treasury shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. No dividends are earned on these shares.

8. PROFIT FOR THE FINANCIAL YEAR

Polypipe Group plc has not presented its own income statement as permitted by Section 408 of the Companies Act 2006. The profit the year dealt within the financial statements of the Company is £5.0m (2015: £4.7m profit for the year).

Remuneration paid to the Directors of the Company is disclosed in Note 10 to the Group's consolidated financial statements.

Amounts paid to the Company's auditor in respect of the audit of the financial statements of the Company are disclosed in Note 7 to the Group's consolidated financial statements.

Fees paid to the auditors for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Group's consolidated financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in Note 7 to the Group's consolidated financial statements.

9. RELATED PARTY TRANSACTIONS

These are disclosed in Note 28 to the Group's consolidated financial statements.

Polypipe

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Preliminary Announcement of Results for the year ended 31 December 2016	30 March 2017
Annual General Meeting	24 May 2017
Final dividend for year ended 31 December 2016	
– Ex-div date	27 April 2017
– Record date	28 April 2017
– Payment date	2 June 2017
Half yearly results for the year ending 31 December 2017	8 August 2017
Half yearly dividend for year ending 31 December 2017	
– Ex-div date	24 August 2017
– Record date	25 August 2017
– Payment date	22 September 2017

REGISTRAR SERVICES

Our shareholder register is managed and administered by Capita Asset Services. Capita Asset Services should be able to help you with most questions you have in relation to your holding in Polypipe Group plc shares.

Capita Asset Services can be contacted at:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

www.capitaassetservices.com

Telephone: 0871 664 0300 (calls cost 12p a minute plus network extras, lines are open 9am–5:30pm Mon–Fri) (from outside the UK: +44 203 728 5000) E-mail: shareholder.services@capita.co.uk

In addition Capita offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

SHARE DEALING SERVICE

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Capita Share Dealing Services.

Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

www.capitadeal.com – online dealing

0371 664 0445 – telephone dealing

email: info@capitadeal.com

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

PRINCIPAL GROUP BUSINESSES

UK

Polypipe Building Products
Broomhouse Lane
Edlington
Doncaster
South Yorkshire
DN12 1ES

Neale Road
Doncaster
South Yorkshire
DN2 4PG

Polypipe Ulster
Dromore Road
Lurgan
Co. Armagh
BT66 7HL

Domus Ventilation
Sandall Stones Road
Kirk Sandall Industrial Estate
Kirk Sandall
Doncaster
South Yorkshire
DN3 1QR

Polypipe Civils
Charnwood Business Park
North Road
Loughborough
LE11 1LE

Holmes Way
Horncastle
LN9 6JW

Polypipe Terrain
New Hythe Business Park
College Road
Aylesford
Kent
ME20 7PJ

Nuaire
Western Industrial Estate
Caerphilly
CF83 1NA

Polypipe Surestop
Unit 7, Birmingham Trade Park
Kingsbury Road
Erdington
Birmingham
B24 9PS

Mainland Europe

Polypipe France, Building Products
11, rue d'Altkirch
F-68580 Seppois-Le-Bas
France

Polypipe France, Building Products
79, rue de L'Industrie
Z.I. de Melou
F-81100 Castres
France

Polypipe France, PE Pressure Pipes
359, Avenue du Douard
Z.I. Les Paluds
F-13400 Aubagne
France

Polypipe Italia
Localita Pianmercato 5C-5D
16044 Cicagna, Genova
Italy

Middle East

Polypipe Middle East FZE
PO Box 18679
Showroom A2 SR 07
First Al Khail Street
Jebel Ali Free Zone
Dubai
United Arab Emirates

CONTACT DETAILS AND ADVISORS

Company Secretary
Capita Company Secretarial Services Limited
40 Dukes Place
London
EC3A 7NH
Tel: 020 7204 7573

Company registration number and Registered office
06059130
Broomhouse Lane
Edlington
Doncaster
South Yorkshire
DN12 1ES

Independent auditors
Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Principal bankers
Lloyds
Sheffield

Barclays
Leeds

RBS
Leeds

Santander
Leeds

Registrars and transfer office
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Stockbrokers
Deutsche Bank AG
Numis Securities Limited

SHAREHOLDER NOTES

Created by
Jones and Palmer
www.jonesandpalmer.co.uk

Polypipe

AWARDED FOR COMPETENCE AND RESPONSIBILITY

As well as promoting a sustainable built environment through carbon reduction and water management in the UK and abroad, we are proud to be recognised for our efforts in developing and safeguarding our staff.

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2016

2016 ROSPA Gold Award
THIRD YEAR

AWARDED FOR UK Superbrands 2016 QUALITY · RELIABILITY · DISTINCTION

INVESTORS IN PEOPLE
2015

SUSTAINABLE PROCESSES

TRANSFORMING:
17,500 TONNES
of plastic bottles each year into quality material

GENERATING:
45%
OF POLYMER USED
AT OUR HORNCASTLE SITE

REDUCED LANDFILL
WE HELP OUR CUSTOMERS MEET SUSTAINABILITY TARGETS

RAINWATER HARVESTED FROM ROOF AT PLANT
75%
OF WATER RECYCLED

Annual Report and Accounts

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